



P o s i t i o n e d f o r G r o w t h

Our mission is to be the leading national investment boutique serving successful individuals, families and businesses with independent financial insights, tailored solutions and responsive service.

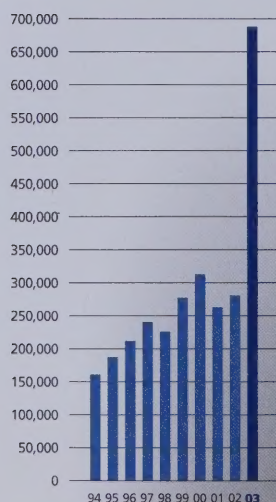
Oppenheimer Holdings Inc. Financial Highlights

(In thousands of U.S. dollars except per share amounts)

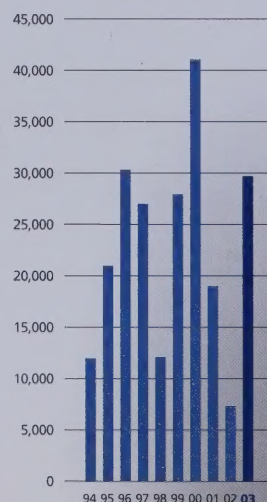
	2003	2002	2001	2000
Gross Revenue	\$689,993	\$283,333	\$261,261	\$316,499
Profit Before Income Taxes	\$50,603	\$12,917	\$31,612	\$71,712
Net Profit	\$29,791	\$7,547*	\$19,150	\$40,901
Basic Earnings per Share	\$2.35	\$0.61*	\$1.55	\$3.38
Total Assets	\$1,709,117	\$1,031,226	\$710,275	\$697,482
Shareholders' Equity	\$280,931	\$247,636	\$241,695	\$221,800
Book Value per Share	\$21.75	\$19.82	\$19.43	\$18.34
Total Shares Outstanding	12,919	12,509	12,437	12,091
Number of Employees	3,013	1,754	1,816	1,284

*Represents net profit and basic earnings per share under Canadian GAAP which in 2002, differs from the presentation under U.S. GAAP. See note 3 of the consolidated financial statements for a discussion of the difference.

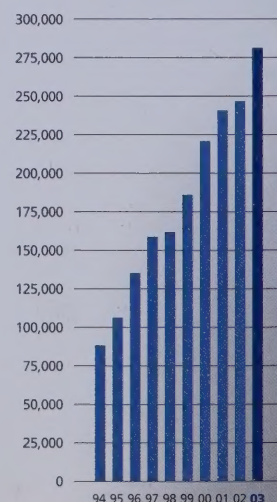
Gross Revenue
(US\$ thousands)



Net Profit
(US\$ thousands)

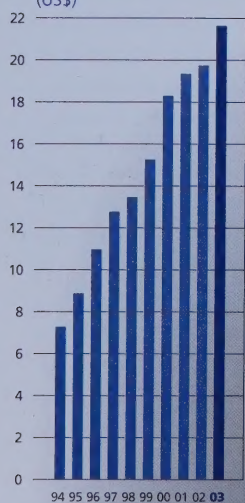


Shareholders' Equity
(US\$ thousands)

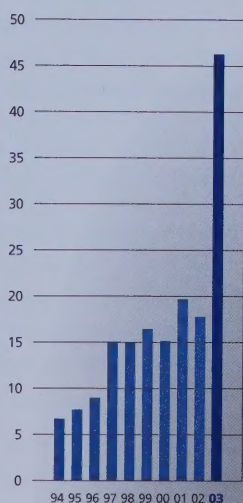


1999	1998	1997	1996	1995	1994
\$279,111	\$232,781	\$242,158	\$213,988	\$184,433	\$157,253
\$50,466	\$21,723	\$46,484	\$53,902	\$34,831	\$20,966
\$27,390	\$12,447	\$26,731	\$30,279	\$20,899	\$11,780
\$2.19	\$0.99	\$2.14	\$2.42	\$1.70	\$0.96
\$766,528	\$666,763	\$835,146	\$519,916	623,466	\$510,636
\$187,388	\$166,323	\$160,935	\$135,877	\$107,405	\$88,788
\$15.30	\$13.48	\$12.87	\$10.99	\$8.92	\$7.34
12,247	12,341	12,508	12,365	12,040	12,095
1,303	1,301	1,363	951	963	996

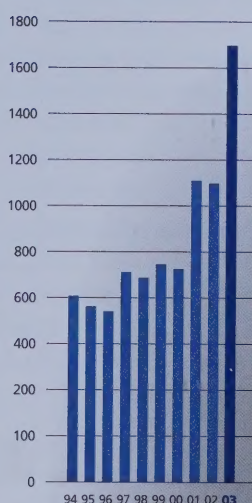
**Book Value
Per Share**
(US\$)



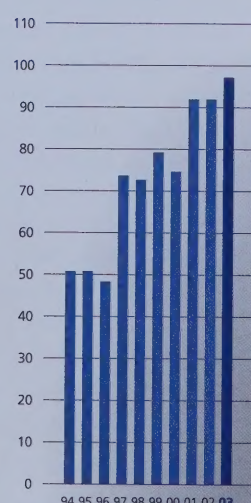
Client Assets
(US\$ billions)



Financial Advisors



Branch Offices





Dear Fellow Shareholders,

For Oppenheimer Holdings Inc. (formerly Fahnestock Viner Holdings Inc.), 2003 was a year of transformation. With the acquisition of the U.S. private client and asset management businesses from CIBC World Markets on January 3 and June 4, 2003, respectively, the company became one of the leading providers of wealth management services. Moving forward, we believe we have the resources, capabilities and the best people to achieve our goal of becoming the leading national investment boutique.

Business Environment

Economically, the year certainly began inauspiciously, but it ended on a very positive note. As soon as the international crisis pointed to a positive conclusion (at least in terms of a major engagement), securities markets responded immediately with the beginning of a rally that ultimately moved the major averages up over 25%. This stock market rally was powered by strong economic news and the "compressed-spring" effect of overly depressed markets. Low interest rates and lower tax rates coupled with booming housing markets and a weak U.S. dollar gave significant confidence to the U.S. consumer, as well as to corporate America. The environment had changed from recession to recovery.

These factors were reflected in the performance of capital markets. Stock markets increased for the first time in three years. From the lows of October 2002, the averages increased an astonishing 43.5% (DJIA) and 80% (NASDAQ). U.S. equity mutual funds had strong net inflows. Low inflation and U.S. Federal Reserve easing allowed domestic U.S. interest rates to reach the lowest level in over 40 years and investors reaped handsome profits on fixed income investments.

Oppenheimer benefited from these strong markets as well as the additional return from acquisitions made over the past three years. While substantial expenses associated with these acquisitions reduced margins, our revenues and our profits increased dramatically. We expect that margins will improve over time, as we are able to fully digest these acquisitions and unify our business platform.

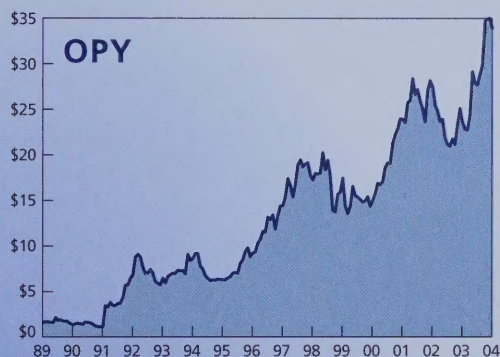
Progress and Results

During 2003, the company realized revenues of U.S. \$689,993,000, an increase of 144% from U.S. \$283,333,000 in the prior year. Net income was U.S. \$29,791,000, an increase of 295%, from U.S. \$7,547,000 earned in 2002. Earnings per share were U.S. \$2.35, an increase from U.S. \$0.61 per share in the prior year. These results increased book value per share to U.S. \$21.75. Our share price closed on December 31, 2003, at \$33.88 near its 52-week high of \$35.10 and up \$8.63 for the year.

During 2003, Oppenheimer reaped the benefits of its strategic expansion during a period when others were retrenching and withdrawing from the securities industry. The acquisition of Josephthal Group Inc. and Prime Charter Ltd. in late 2001, the acquisition of BUYandHOLD in early 2002, and finally the acquisition of the Oppenheimer U.S. private client business in early January, as well as several branch office purchases, resulted in a tripling of our sales force and our assets under administration, a doubling of our revenues and employee base and a significant increase in our profitability since September 2001. The acquisitions provided an increase in client assets under administration to U.S. \$46 billion at year end – an increase of 250% from the prior

disruptions in client service. We regret this. Our employees responded and worked tirelessly to solve problems and create solutions, and by year end, these issues were behind us. In the process, we have dramatically improved the fundamental operations of the business. Importantly, we met our target for employee retention. We will continue to manage our cost and expense profile, while increasing our investment in our people, the key to our future success.

Stock Performance January 1989 – December 2003



year. The Oppenheimer acquisition added 620 financial advisors in 18 branch offices, located in the major financial centers of the United States, bringing the firm total to over 1,700 financial advisors in 98 branches. In addition, we added a highly sophisticated financial advisory group that will provide a new dimension to our private client business.

The purchase of the U.S. Private Client Division and the U.S. Asset Management Business of CIBC World Markets closed on January 3, 2003, and June 4, 2003, respectively. We financed the \$261 million cost of this transaction through the issuance of debt convertible into equity, zero coupon debt, and with bank loans. The growth in our business and the increased cash flow has supported this decision. The company has already begun to improve its balance sheet by reducing debt, financed with the improvement in operating and free cash flow during 2003.

This expansion also resulted in a sea change in our technology platform as we raced to build the required infrastructure. Despite intense integration planning, infrastructure expansion and much success in execution, for a short period after the conversion of the new client accounts, there were some

Another key component to the success of 2003 was the contribution of the Capital Markets Group. Our fixed income departments – public finance and municipal bond trading, U.S. Government and Agency trading, convertible bond trading, mortgage-backed securities trading, and project loan transactions – had their most successful year ever, powered by record low interest rates and our larger client base. Equity trading improved as well and we substantially increased our underwriting of securities that were in demand by our clients. In investment banking, we intend to find new ways to partner with other businesses, governments and nongovernmental organizations. We have implemented plans to broaden our revenue base into areas such as proprietary investment management and investment banking for middle market companies, using our strong distribution system and our entrepreneurial business platform.

Our U.S. institutional equity revenues tripled as a result of the Oppenheimer acquisition. We were committed to growing our research department to support our larger firm, and during the past year, our roster of senior analysts increased from eight to twenty-four. We have reorganized this group,

unified them in a single location and brought new people into key positions. Our firm is widely recognized for providing independent, truly value-based research. We believe that the momentum created this past year will serve us well in the years ahead.

Our asset management business was greatly enhanced with the acquisition of Oppenheimer Asset Management with U.S. \$8.5 billion in assets under management at the date of acquisition. Since then, and with the contribution of Fahnstock Asset Management, assets under management have grown to U.S. \$9.59 billion at year end. This business includes a suite of highly respected products and services that are the heart of our Wealth Management Platform, now offered to our full client base. Today, there are fewer and fewer companies with the ability to innovate, create and deliver the end-to-end solutions that successful individuals, families and businesses require. We are one of those companies.

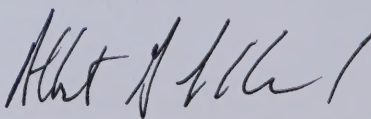
One Company, One Vision, One Team

In September, we completed the re-branding of our company to "Oppenheimer." This included our major operating companies (now Oppenheimer & Co. Inc. and Oppenheimer Asset Management Inc.), our trading symbol on the New York and Toronto Stock Exchanges (OPY), as well the signage on 98 locations and the business cards carried by over 3,000 employees. The brand is among the most valuable franchises in the high net worth segment. It is our job to realize maximum benefit from it, and to continue to build on that image in the years ahead. We see a tremendous opportunity to serve this largely affluent group, who are dedicated to meeting life's goals by careful attention to their investments. As such, we continue to invest in better understanding our clients, and the products and services they want for tomorrow.

This is a company that has always defined itself through the hopes and goals of its clients. We recognize that to help our clients meet their investment goals, we must constantly challenge ourselves to be better... by managing our delivery of service, continuing to set high standards for innovation, seeing that our employees can continue to properly manage the client relationship and by committing ourselves to the rendering of prudent advice. Client response to our new platform has been excellent and we anticipate even stronger growth in the future as both our clients and our expanded employee base become familiar with the breadth and benefits of our new capabilities.

We manage this company with a strong view that trust, integrity, responsibility and accountability matter. Our firm was not involved in any of the myriad of investor-related scandals that has affected the securities industry in recent times. We will continue to demand high standards of corporate responsibility and governance in order to maintain our reputation for honesty and fair dealing.

I want to thank our shareholders for their support and our employees for their dedication, their willingness to keep at it when the going got tough and their countless hours to build the "new" Oppenheimer. We're proud of our progress in 2003, and we know that we have more work to do. Our ultimate goal is to provide consistently high levels of service to our clients, opportunity for our employees and fair returns to our shareholders.



Albert G. Lowenthal
Chairman of the Board
Oppenheimer Holdings Inc.



*"We have grown our
national presence to over
1,700 financial advisors
strong in 98 branch
offices located in major
financial centers and local
communities across the
United States"*

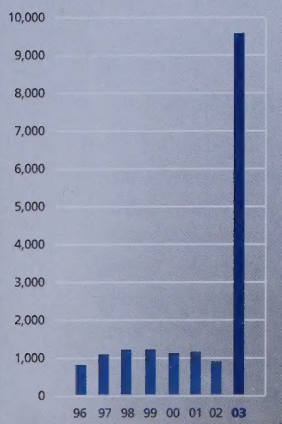
creating opportunity



Oppenheimer Asset Management maintains a singular focus to help individual and institutional clients achieve their investment goals by developing tailored solutions aimed at growing, managing and preserving capital. Few other financial institutions have been able to integrate traditional and nontraditional portfolios into a unified solution while offering ready access to investment managers considered among the best in the world — both within and outside of the firm. This innovative approach to creating opportunity for our clients is what drives our success.

Oppenheimer Asset Management offers high net worth and institutional investors access to customized managed money programs, all of which are rooted in strategic asset allocation

Client Assets Under Active Management
(US\$ millions)



Oppenheimer Asset Management

Oppenheimer Asset Management (OAM) continued to build strong client relationships and attract assets in 2003. The group's assets under advisement ended 2003 in excess of \$9.59 billion.

A Disciplined Process

OAM provides comprehensive investment services to a broad range of successful individuals, families and businesses. The investment process begins with an assessment of each investor's financial goals, objectives and tolerance for risk. An asset allocation strategy is crafted, blending sophisticated modeling techniques with a personal assessment of a client's unique circumstances. To execute our client's asset allocation strategy, we offer access to broad asset classes, from core to nontraditional strategies, provided through an array of vehicles including discretionary separate accounts, mutual funds and alternative investment strategies all within the same asset allocation program. Once an investment plan is in place, we use a formal review process to ensure that each client's plan is meeting the stated goals.

High Quality Professional Money Management

To support our client's core investment strategies, OAM provides high quality, professional money management through three integrated groups: the Consulting Group, which offers access to independent world-class investment advisers and funds; Oppenheimer Investment Advisers, our own highly regarded money managers; and the OMEGA Group, senior Financial Advisors who also function as portfolio managers. Nontraditional investments, such as hedge funds, fund of hedge funds and other unique opportunities, are available for qualified investors through the Alternative Investments Group. Additionally, Fahnestock Asset Management continues to provide a family office management service to high-net worth families.



tailored solutions

Experience

Our Financial Advisors have experience in a wide range of client situations. They have the expertise and skills to understand your needs, and together with the appropriate specialists, will help develop a solution designed for you.

Independent

Our independence provides us the freedom to offer objective advice. With access to a full range of traditional and non-traditional products and services, we are committed to developing a solution that is in your best interest.

Entrepreneurial

We think ahead. Flexibility, short lines of communication and access to experts result in decisive action and tailored solutions that are designed to meet your unique financial goals and objectives.

Personal

We sit on the same side of the table as our clients, and provide advice based on a deep understanding of their needs. Creating long-term relationships that are built on trust is our ultimate goal.

*For over a century,
we have been committed
to helping clients invest
and preserve money wisely
by providing independent
financial insights,
tailored solutions and
responsive service*

Wealth Management Services

In 2003, Oppenheimer & Co. Inc. reorganized several core businesses in order to align all sales and marketing efforts and better serve its retail and institutional clients. Oppenheimer Planning Group, Retirement Services, Insurance Services (Oppenheimer Life Agency, Ltd.), Executive Services and Mutual Fund Services have been incorporated under the Wealth Management umbrella of Oppenheimer Asset Management. These specialists focus on delivering personalized, comprehensive solutions that address the complex and evolving financial needs of our clients. By integrating these businesses, we have created a wealth management and institutional consulting platform that we believe to be truly unique in the securities industry.

Oppenheimer provides individuals, families and businesses with tailored, wealth management solutions. Our consultative approach enables us to listen to our clients and develop a deep understanding of their unique needs and goals. Based on this understanding, our Financial Advisors are able to draw upon the expertise of Oppenheimer Asset Management to develop and execute an investment strategy designed to meet their clients' unique needs, which include the accumulation, preservation and transfer of wealth.

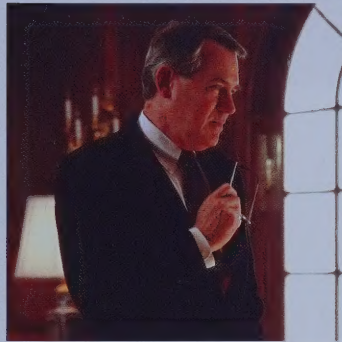
Our Financial Advisors have the knowledge and expertise to unite traditional and nontraditional services into one single, end-to-end solution with the objective of helping our clients build a safe and hopefully more rewarding financial future. We offer a broad range of personal planning, retirement, trust and financial services to help our clients define their near and long term financial goals. To help fulfill these goals, we offer comprehensive investment consulting services, including portfolio analysis, personal investment policy, asset allocation modeling, and investment manager recommendations. Continuous portfolio monitoring and consolidated reporting help our clients manage their investments and stay on course to achieve their goals.

In addition, Oppenheimer Trust Company provides our clients with the means to provide for specialized services, long-term needs trust and planning for intergenerational transfer and continuity.

Financial and Corporate Services

Many financial services providers draw a line between personal financial services and corporate services — with no overlap or integration. At Oppenheimer, our Financial Advisors bridge the gap by working closely with our clients to develop customized structures and innovative strategies to solve their most complex financial needs. With the support of Oppenheimer Asset Management, our Financial Advisors provide high quality institutional investment consulting services to a broad range of foundations, endowments, pension fund and 401(k) plan administrators, family offices and financial institutions.

Through a rigorous due diligence process, our Financial Advisors connect clients with a universe of highly qualified investment managers — for separate accounts, mutual funds and alternative investment strategies. From Investment Manager selection to performance reporting, we are available to assist our clients at every phase of building and maintaining their investment programs.



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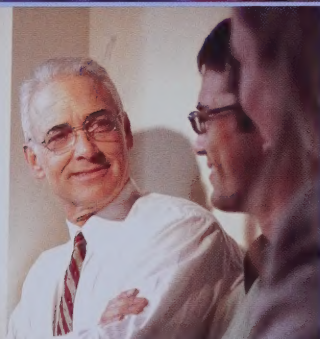
Clients appreciate the ability of our experienced Financial Advisors to bring together the right team of specialists, each well-versed in their proven investment disciplines, to develop integrated, customized investment strategies.

We have developed a special expertise in the design of corporate-sponsored retirement plans and non-qualified deferred compensation plans. Services include innovative plan design and administration, record keeping, corporate trustee vendor search, investment policy development, investment recommendations, employee education, communications support and advice. We also help executives develop employee stock option plans and employee stock purchase plans.

In addition, we advise holders of control or restricted stock and investors holding concentrated equity positions by developing innovative strategies that provide liquidity, and protect and enhance the value of their assets. Diversification may be achieved through a public or private sale or by creating a Rule 10b5-1 trading plan.

While our competition scaled back in an uncertain investment environment, we focused on developing our new platform and building our infrastructure to support our greatly expanded client base. Our investments in technology have provided the tools which our Financial Advisors need in order to react quickly to changing markets, to recommend portfolio adjustments, and to protect and build their client's assets.

At Oppenheimer, we believe innovative solutions and consistently high levels of client service provide continuous value to our clients. That is why we have launched a highly coordinated, companywide initiative to focus our resources on bringing to market client-focused investment alternatives to assure that Oppenheimer clients have a complete solution to every financial need. With our expanded resources, we are well-positioned for success.



delivering value

Oppenheimer Capital Markets was a key component to our success in 2003.

Powered by record low interest rates and our larger client base, our fixed income department had their most successful year ever. Equity trading showed improvement and we substantially increased our underwriting of securities.

The momentum created this year should serve us well.

As a full-service investment bank, we are committed to providing timely access to capital and knowledgeable strategic advisory services for emerging growth and middle market companies

Corporate Finance

Oppenheimer & Co. Inc. offers its emerging growth and middle market clients a broad array of investment banking services, built on the firm's long-standing tradition of integrity and honesty. By locating our senior professionals across the country, we can provide close and immediate support to our clients. Our professionals have successful track records of providing our clients with creative, cost-effective solutions, knowledgeable advice and efficient execution.

We have significant experience in assisting privately held and publicly traded emerging growth and middle-market companies with raising capital and advising on corporate finance transactions. Our range of investment banking products and services include: initial and follow-on equity public offerings, senior debt, mezzanine and equity private financings, merger and acquisition advice, fairness opinions, valuations, and bankruptcy/reorganization advisory services.

In 2003, Oppenheimer's Corporate Finance group led or co-managed over \$300 million in eleven debt and equity offerings and placements, as well as a number of merger and acquisition advisory assignments. The industries in which we completed transactions during 2003 include: agri-business and foods, automotive, commercial banking, consumer products and services, health care and medical devices, semiconductor equipment, and technology services. Highlighted transactions for the year include: a \$39 million lead and sole managed private placement for Synovis, Inc., an emerging medical device company; an \$86 million co-managed preferred stock offering for Cenex Harvest States, a large agricultural cooperative; a \$51 million co-managed trust preferred offering for Independent Bank, a regional commercial bank; and a \$25 million sell-side advisory for Alkahn Labels, Inc., a privately held, family-owned apparel company.

We are optimistic that our corporate clients will continue to benefit from the tremendous growth during 2003 in Oppenheimer's retail and institutional distribution, equity research, sales and trading, and our dedication to continuing to build our investment banking platform with proven professionals.

Public Finance

The Public Finance Professionals of Oppenheimer are committed to providing the highest level of service to our broad range of issuer clients. Cities, states, school districts, public authorities and private developers rely on the experience and judgment of our staff to provide them with the most efficient financing plans executed at the lowest available interest rates. Working with Oppenheimer's extensive underwriting and marketing system, the Public Finance Department structures publicly offered and privately placed bond issues in both the tax exempt and taxable markets.

Additional services provided to our clients include: financial advice, arbitrage rebate analysis, financial feasibility studies, refunding analysis, economic development finance, tax increment finance and tax incentive advice. Professionals also provide reinvestment services, investment management and portfolio monitoring services. Oppenheimer's public clients have increasingly called on the firm to assist them in structuring and implementing economic development plans aimed at increasing the economic base and fostering a positive job creation environment. In the increasingly competitive world of economic development, Oppenheimer's professionals provide our clients with tools essential to assuring that development concepts are fully realized.

The firm's nationwide branch office system assures the broadest distribution of bonds to both individual and institutional investors who rely on Oppenheimer to make certain that the structure of any financing meets the needs of both the issuer and the investor. The firm also maintains an active secondary market in all the bonds it underwrites. Outstanding financings are monitored for refinancing and restructuring opportunities that meet the policy objectives of the firm's governmental clients.

In 2003 Oppenheimer structured and underwrote financings for a variety of projects that included hospitals, school buildings, sewer systems, sports arenas, baseball stadiums, urban redevelopment projects, highway and transportation projects and multifamily housing. With public finance and municipal trading professionals in regions throughout the country and plans to expand to other regions served by the Oppenheimer branch office system, the firm is well-positioned to continue building its practice of serving the needs of our clients.

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Significant Public Finance Bond Issues in 2003

\$27,895,000	Missouri Environmental Improvement Authority State Revolving Fund Revenue Bonds
\$200,000,000	State of Connecticut Special Tax Obligation Bonds
\$81,050,000	Detroit, Michigan General Obligation Refunding Bonds
\$23,945,000	Jackson County, Missouri Leasehold Revenue Bonds
\$167,275,000	Kansas Department of Transportation Highway Revenue Refunding Bonds
\$48,345,000	Rhode Island Health and Education Building Authority Higher Education Facility Revenue Bonds
\$21,000,000	Southfield, Michigan Public Schools Unlimited Tax General Obligation Bonds
\$40,235,000	Kansas Development Finance Authority Revenue Bonds
\$19,720,000	Platte County, Missouri IDA Transportation Revenue Bonds
\$20,000,000	Michigan Hospital Finance Authority Equipment Loan Program

In 2003, as a result of the Oppenheimer acquisition, our U.S. institutional equity revenues tripled, we greatly expanded our fixed income trading and sales capacities and we grew our equity research department from 8 analysts to 24 to support our larger firm



Institutional Services

Equity Research The past year was one of both growth and transition for the Equity Research Department. We believe that U.S. baby boomers will determine the patterns of wealth creation and spending in the foreseeable future. We restructured our research effort during the latter half of 2003 to reflect this view, building core competencies in consumer products, healthcare, financial services, technology and energy. We tripled the number of analysts on staff by hiring experienced professionals capable of making an impact with thought-provoking research ideas. Oppenheimer Equity Research is now positioned to advise and assist our expanding client base in their investment selection.



Institutional Equity Sales and Trading Oppenheimer & Co. Inc.'s Institutional Equity Sales and Trading department supported its clients through the delivery of good ideas and excellent execution of transactions as the markets began to recover. We broadened our institutional coverage dramatically in 2003 through the addition of the highly regarded

mid-markets institutional sales group from Oppenheimer and substantially increased the staff of our trading departments and the products traded in order to offer service and expertise to our expanded client base. New technology adopted during the year will also permit expanded client service. Additional research coverage permitted us to increase revenues from existing and new clients.

Fixed Income Sales and Trading 2003 was an excellent year for our fixed income trading and sales efforts. The Oppenheimer acquisition greatly expanded our fixed income trading and sales capacities. Our expanded trading effort added depth to our existing capabilities and expanded our extensive list of fixed income securities that we support. This includes U.S. Treasuries, Agencies, mortgage-backed securities, corporate bonds (from high grade to high yield), convertible bonds, structured notes, CD's, taxable and tax-exempt weekly note programs, municipal bonds and notes, emerging market securities, Eurodollar bonds, UIT's, auction rate preferreds, and cash management services. Our fixed income sales efforts were similarly enhanced. In addition to adding many top-flight financial advisors, we greatly expanded our middle markets staff, which provides professional service to mid-tier institutional clients.



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Management's Discussion and Analysis of Financial Condition and Results of Operations

All dollar amounts expressed herein are in U.S. dollars.

The Company's financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These principles conform in all material respects with accounting principles generally accepted in the United States of America, except as discussed in note 3a. The following discussion should be read in conjunction with the consolidated financial statements and notes thereto which appear elsewhere in this annual report.

Critical Accounting Policies

The Company's accounting policies are essential to understanding and interpreting the financial results reported in the consolidated financial statements. The significant accounting policies used in the preparation of the Company's consolidated financial statements are summarized in note 1 to those statements. Certain of those policies are considered to be particularly important to the presentation of the Company's financial results because they require management to make difficult, complex or subjective judgments, often as a result of matters that are inherently uncertain. The following is a discussion of these policies.

Valuation of Securities and Other Assets

Substantially all financial instruments are reflected in the consolidated financial statements at fair value or amounts that approximate fair value. These include cash equivalents; deposits with clearing organizations; securities owned; and securities sold but not yet purchased. Where available, the Company uses prices from independent sources such as listed market prices, or broker or dealer price quotations. In addition, even where the value of a security is derived from an independent market price or broker or dealer quote, certain assumptions may be required to determine the fair value. For instance, the Company generally assumes that the size of positions in securities that the Company holds would not be large enough to affect the quoted price of the securities if the Company were to sell them, and that any such sale would happen in an orderly manner. However, these assumptions may be incorrect and the actual value realized upon disposition could be different from the current carrying value.

Intangible Assets and Goodwill

Goodwill represents the excess cost of a business acquisition over the fair value of the net assets acquired. SFAS No. 142, "Goodwill and Other Intangible Assets," provides that goodwill is no longer amortized and the value of identifiable intangible assets must be amortized over their useful lives, unless the asset is determined to have an indefinite useful life. Goodwill relates to the acquisitions of Oppenheimer, First of Michigan Capital Corporation, Grand Charter Group Incorporated, Josephthal & Co. Inc. and the Oppenheimer division and has been allocated to the private client reporting unit pursuant to SFAS No. 142. The Company obtained an independent valuation of assets acquired and liabilities assumed with respect to the acquisition of the Oppenheimer division in 2003. This valuation involved significant estimates, which were based on historical data, revenue projections and industry experience. The Company has identified intangible assets relating to customer relationships, which it is amortizing over their useful lives, and trademarks and trade names, which are being evaluated for impairment on at least an annual basis. The excess cost of the Oppenheimer division is being allocated to goodwill.

The Company reviews its goodwill on at least an annual basis in order to determine whether its value is impaired. Goodwill is impaired when the carrying amount of the reporting unit exceeds the implied fair value of the reporting unit. In estimating the fair value of the reporting unit, the Company uses valuation techniques based on multiples of revenues, earnings, book value and discounted cash flows similar to models employed in analyzing the purchase price of an acquisition target. If the value of the goodwill is impaired, the difference between the value of the goodwill reflected on the financial statements and its current fair value is recognized as an expense in the period in which the impairment occurs.

Reserves

The Company records reserves related to legal proceedings in "other payables and accrued expenses". The determination of the amounts of these reserves requires significant judgment on the part of management. Management considers many factors including, but not limited to: the amount of the claim; the amount of the loss in the client's account; the basis and validity of the claim; the possibility of wrong doing on the part of an employee of the Company; previous results in similar cases; and legal precedents and case law as well as the timing of the resolution of such matters. Each legal proceeding is reviewed with counsel in each accounting period and the reserve is adjusted as deemed appropriate by management. Any change in the reserve amount is recorded as a charge to results in that period. The assumptions of management in determining the estimates of reserves may be incorrect and the actual disposition of a legal proceeding could be greater or less than the reserve amount.

The Company also records reserves or allowances for doubtful accounts related to receivables from clients and financial consultants. Client loans are collateralized by securities; however, if there is a decline in the value of the collateral and the Company cannot obtain additional collateral or collect on the loan, a reserve is established. The Company also makes loans or pays advances to financial consultants. Reserves are established on these receivables if the financial consultant is no longer associated with the Company and the receivable has not been promptly repaid or if it is determined that it is probable the amount will not be collected.

The Company also estimates taxes payable and records income tax reserves. These reserves are based on historic experience and may not reflect the ultimate liability. The Company monitors and adjusts these reserves as necessary.

Asset Management Operations

Asset management fees are generally recognized over the period the related service is provided based on the account value at the valuation date per the respective asset management agreements. In certain circumstances, OAM is entitled to receive incentive fees when the return on assets under management exceeds certain benchmark returns or other performance targets. Incentive fees are generally based on investment performance over a 12-month period and are not subject to adjustment once the measurement period ends. Accordingly, incentive fees are recognized in the consolidated statements of operations when the measurement period ends. Asset management fees and incentive fees are included in "Advisory fees" in the consolidated statements of earnings. Assets under management are not included as assets of the Company.

Controls and Procedures

As of the end of the reporting period, an evaluation was carried out under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of the Company's disclosure controls and procedures were effective. No significant changes were made in the Company's internal control over financial reporting during the period ended December 31, 2003 that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.

Business Environment

Oppenheimer Holdings Inc. is a holding company whose principal subsidiaries are Oppenheimer & Co. Inc. ("Oppenheimer") and Oppenheimer Asset Management Inc. ("OAM"). Oppenheimer pro-

vides securities brokerage, investment banking, trust and asset management services to its clients from 98 offices across the U.S.A. and associated offices in Caracas, Venezuela and Buenos Aires, Argentina. Oppenheimer is licensed to offer brokerage and other financial services in all 50 States. Client assets entrusted to the Company as at December 31, 2003 totalled approximately \$46 billion. The Company provides investment advisory services through OAM and Fahnstock Asset Management, operating as a division of Oppenheimer. The Company provides trust services and products through Oppenheimer Trust Company. At December 31, 2003, client assets under management by the asset management groups totaled \$9.59 billion. Oppenheimer also engages in proprietary trading of securities. In addition, the Company operates a discount brokerage business based in Edison, NJ, through Freedom Investments, Inc. At December 31, 2003, the Company employed approximately 3,013 people, of whom 1,704 were financial consultants.

The securities industry is highly competitive and sensitive to many factors and is directly affected by general economic and market conditions, including the volatility and price level of securities markets; the volume, size, and timing of securities transactions; the demand for investment banking services and changes in interest rates, all of which have an impact on commissions, trading and investment income as well as on liquidity. In addition, a significant portion of the Company's expenses are relatively fixed and do not vary with market activity. Consequently, substantial fluctuations can occur in the Company's revenues and net income from period to period due to these and other factors.

In addition, the Company faces competition from commercial banks and other sources as these institutions offer more investment banking and financial services traditionally only provided by securities firms. The effect of the consolidation of the securities industry of recent years means that a variety of financial services companies have merged to offer a broader spectrum of investment products and such competitors have substantially greater financial resources than the Company. The Company is also experiencing increasing regulation in the securities industry, particularly affecting the over-the-counter markets, making compliance with regulations more difficult and costly. At present, the Company is unable to predict the extent of changes, or the effect on the Company's business.

Outlook

The Company's long-term plan is to continue to expand existing offices by hiring experienced professionals as well as through the purchase of operating branch offices from other broker dealers, thus maximizing the potential of each office and the development of existing trading, investment banking, investment advisory and other activities. Equally important is the search for viable acquisition candidates. As opportunities are presented, it is the long term intention of the Company to pursue growth by acquisition where a comfortable match can be found in terms of corporate goals and personnel and at a price that would provide the Company's shareholders with incremental value. In the near term, the Company will not be seeking additional significant acquisitions, but will focus its attention on the integration of recent acquisitions, including the significant acquisition in 2003 of the U.S. private client and asset management businesses of CIBC World Markets.

Results of Operations

The results of the year ended December 31, 2003, compared to the same period of 2002, reflect the changed face of the Company after the acquisition by the Company on January 3, 2003 of the U.S. private client business of CIBC World Markets and the subsequent acquisition on June 4, 2003 of the U.S. asset management business of CIBC World Markets (together, the Oppenheimer divisions). This acquisition more than doubled the Company's private client presence, adding approximately 620 financial consultants in 18 offices, at the date of closing. The aggregate purchase price was approximately U.S. \$242 million. The Company began self-clearing substantially all of the private client business at the end of May 2003. Until that time, CIBC provided operational and administrative services to the Company on a transition basis. That arrangement precluded the attainment of certain operating efficiencies and cost savings that became available to the Company post-conversion of the client accounts to the Company's clearing platform.

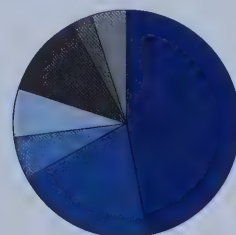
The Company closed on its purchase of OAM on June 4, 2003. OAM currently manages client assets totaling over U.S. \$8.65 billion. The business includes internally managed funds, alternative investments (including hedge funds) and third party managed high net worth accounts.

The following table and discussion summarizes the changes in the major revenue and expense categories for the past two years (in thousands of dollars).

Period to Period Change

Increase (Decrease)	2003 versus 2002		2002 versus 2001	
	Amount	Percentage	Amount	Percentage
Revenues				
Commissions	\$189,324	..+139%	\$13,475	+11%
Principal transactions, net	78,445	..+135%	1,853	+3%
Interest	14,978	...+54%	(6,687)	-19%
Underwriting fees	27,863	...+122%	11,805	...+108%
Advisory fees	54,185	...+206%	1,861	+8%
Other	41,865	...+332%	(235)	-2%
Total revenues	\$406,660	+144%	22,072	+8%
Expenses				
Compensation	265,350	...+156%	20,972	+14%
Clearing and exchanges fees	11,127	...+116%	3,595	+60%
Communications	22,460	...+70%	8,446	+36%
Occupancy costs	25,832	...+93%	8,539	+44%
Interest	5,943	...+71%	(5,692)	-40%
Other	38,262	...+168%	4,907	+27%
Total expenses	\$368,974	...+136%	40,767	+18%
Profit before taxes	37,686	...+292%	(18,695)	-59%
Income taxes	15,442	...+288%	(7,092)	-57%
Net profit	22,244	...+295%	(11,603)	-61%

Composition of 2003 Revenue



- Commissions
- Principal transactions
- Interest
- Investment banking
- Advisory fees
- Arbitration award
- Other

The Company's results were significantly impacted by the recent integration of its acquisition of the Oppenheimer private client division and the closing of the purchase of OAM. In 2003, expenses were impacted by payments to CIBC through May 2003 for various transition services, which the Company utilized during the period. The costs of integration and retention also significantly impacted the 2003 results. On May 27, 2003, Oppenheimer assumed clearing and execution of the business of the Oppenheimer divisions. There were client service issues and internal operational difficulties encountered as a result of the largest conversion of client accounts in the Company's history, which were largely rectified by the end of the second quarter. The Company continues to monitor its systems requirements and remains committed to make improvements in service and technology.

The assumption of the clearing functions substantially changed the Company's balance sheet through increased client receivables and payables, related broker-dealer stock loans and borrows and bank loans, as well as some increase in inventories carried by the Company to accommodate the increased size of the business. The Company continues to believe that this recent acquisition will transform the Company and the Company remains confident that operating margins will improve over coming quarters as overlapping services are eliminated, and integration is completed.

The U.S. economy has continued to pick up momentum as reflected in growth in fourth quarter GNP. New job creation continues to lag and remains an issue for consumer confidence. Low interest rates, a record trade deficit and a record federal budget deficit have been reflected in a weak U.S. dollar, which is trading at record lows compared to other major currencies. Those factors are likely to continue to lead to favorable U.S. corporate earnings comparisons and continuing strength in the stock market. Savings rates and favorable demographics in the United States also provide for strong investment flows and favorable conditions for the securities industry.

Fiscal 2003 compared to Fiscal 2002

Results for 2003 reflected both the changed face of the Company following its acquisition activity in 2003 and improving economic growth in the U.S., which led to a resurgence of investor participation in the markets. Following its acquisition on January 3, 2003 of the U.S. Private Client business of CIBC World Markets, the Company significantly increased its private client business in terms of financial consultants and client assets. The number of financial consultants increased to 1,704 at December 31, 2003 compared to 1,102 at December 31, 2002. Client assets entrusted to the Company were approximately \$46 billion at December 31, 2003 compared to approximately \$17.8 billion at December 31, 2002. The acquisition on June 4, 2003 of the U.S. Asset Management business of CIBC World Markets added new business lines and increased managed assets from approximately \$869 million at December 31, 2002 to approximately \$9.59 billion at December 31, 2003.

Total revenues for 2003 were \$689,993,000 an increase of 144% over \$283,333,000 in 2002. Commission income (income realized in securities transactions for which Oppenheimer acts as agent) increased 139% to \$325,071,000 from \$135,747,000 in 2002. This increase was primarily the result of the additional business generated by the acquired Oppenheimer branches, as well as improved market conditions. Revenues from principal transactions (revenues from transactions in which Oppenheimer acts as principal in the secondary market trading of over-the-counter equities and municipal, corporate and government bonds) increased by 135% to \$136,672,000 from \$58,227,000 in 2002 due to the business generated by the acquired divisions and stronger activity in the trading of fixed income securities as a result of lower interest rates and higher bond prices in 2003 compared to 2002. Investment banking revenues increased by 122% to \$50,623,000 from \$22,760,000 in 2002, related to increased participation in the issuance of closed-end funds and debt securities, particularly as a result of the impact of the acquired Oppenheimer divisions. Advisory fees increased by 206% to \$80,550,000 from \$26,365,000 in 2002 primarily as a result of the acquisition of the U.S. Asset Management business of CIBC World Markets in June 2003. In January 2003, the Company was awarded \$21,750,000 in an arbitration award in con-

nection with a raiding case involving the sales force of First of Michigan Corporation, a company acquired by the Company in 1997.

Interest income in 2003 was \$42,600,000, an increase of 54% from \$27,622,000 in 2002. Interest expense was \$14,322,000, an increase of 71% from \$8,379,000 in 2002. This represents an increase of 47% in net interest revenue (interest revenue less interest expense) in 2003 compared to 2002, which can be attributed to an increase in average customer margin balances due to the conversion of the customer accounts of the acquired Oppenheimer branches in May 2003 and lower interest rates in 2003 compared to 2002.

Expenses in 2003 totalled \$639,390,000, an increase of 136% compared to \$270,416,000 in 2002. The increase in expenses can be attributed to the acquisitions of the Oppenheimer divisions in 2003 as well as continuing unfavorable legal settlement costs associated with Josephthal & Co. Inc. client accounts, which were acquired in 2001. Compensation and related expenses in 2003 were \$435,160,000, an increase of 156% from \$169,810,000 in 2002. Compensation expense has volume-related components and increases with increases in commission business conducted in 2003 compared to 2002, as well as increased retention and severance costs and a general increase in staff levels in both acquired branch offices and in head office departments which were required to handle the business volume of the larger entity. Clearing and exchange fees in 2003 were \$20,734,000, an increase of 116% from \$9,607,000 in 2002. These expenses increased in 2003 compared with 2002 with increased volume and with the increased size of the sales force. In addition, until May, 2003, the business generated from the acquired Oppenheimer branches was being cleared by a third party. The cost of third party clearing is higher than the cost of clearing trades in-house. Communications expenses in 2003 were \$54,526,000, an increase of 70% over \$32,066,000 in 2002 reflecting additional costs of a larger branch system, after the acquisition of the Oppenheimer divisions. Occupancy costs in 2003 were \$53,604,000, an increase of 93% compared to \$27,772,000 in 2002 as a result of the increased size of the organization with the acquisition of the Oppenheimer divisions. The increase in communications, technology and occupancy expenses reflects the additional costs associated with connecting and housing approximately 55% more financial consultants in 16 more branch offices in 2003 compared to December 31, 2002, before the acquisitions of the Oppenheimer divisions. During 2003, the Company was able to utilize previously underutilized space and was able to reassign employees to maximize the usage of space. Other expenses were \$61,044,000, an increase of 168% over \$22,782,000 in 2002. The increase relates primarily to increased levels of general and administrative expense due to the larger organization size, as well as increased bad debt expense and costs of litigation. The Company may face additional unfavorable judgments in future periods. The Company has used its best estimate to provide adequate reserves to cover litigation losses.

Fiscal 2002 compared to Fiscal 2001

Results for fiscal 2002 reflected continued difficult conditions in the investment environment. The combined impact of rising unemployment levels, adverse import/export flows and slowing business conditions has overcome the normal impact of record low interest rates and the prospect of lower tax rates to produce low market volumes and overall declining prices.

Revenues in fiscal 2002 increased compared to fiscal 2001 by 8% as a result of the acquisitions of Josephthal and Prime Charter in the latter part of 2001 and BUYandHOLD in March 2002. Net profit declined by 61% in fiscal 2002 compared to fiscal 2001 as a result of poor market conditions and substantial expenses associated with these recent acquisitions, including integration costs of combining facilities, severance payments associated with combining personnel and most significantly, costs of litigation for claims which preceded the Company's acquisitions of these entities.

Total revenues for 2002 were \$283,333,000 an increase of 8% over \$261,261,000 in 2001. Commission income (income realized in securities transactions for which the Company acts as agent)

increased 11% to \$135,747,000 in 2002 from \$122,272,000 in 2001. This increase was the result of the additional business generated by Josephthal, Prime Charter and BUYandHOLD, which more than offset generally lower commission levels in the weaker markets of 2002 compared to 2001. Revenues from principal transactions (revenues from transactions in which the Company acts as principal in the secondary market trading of over-the-counter equities and municipal, corporate and government bonds) increased by 3% to \$58,227,000 in 2002 from \$56,374,000 in 2001 due to stronger activity in the trading of fixed income securities as a result of lower interest rates and higher bond prices in 2002 compared to 2001. The Company has reduced the number of securities in which it makes markets. It may increase or decrease this number as conditions warrant. Underwriting fees increased by 108% to \$22,760,000 in 2002 from \$10,955,000 in 2001 related to increased participation in the issuance of closed-end funds and debt securities. Demand for these products increased in 2002 as investors sought new investment vehicles. Advisory fees increased by 8% to \$26,365,000 in 2002 from \$24,504,000 in 2001 primarily as a result of the acquisition of the business of BUYandHOLD in March 2002. BUYandHOLD provides a fee-based investing approach to retail investors.

Interest income in 2002 was \$27,622,000, a decrease of 19% from \$34,309,000 in 2001. Interest expense was \$8,379,000, a decrease of 40% from \$14,071,000 in 2001. This represents a decrease of 5% in net interest revenue (interest revenue less interest expense) in 2002 compared to 2001, which can be attributed to a decrease in average customer margin balances and lower interest rates in 2002 compared to 2001.

Expenses in 2002 totalled \$270,416,000, an increase of 18% compared to \$229,649,000 in 2001. The increase in expenses can be attributed to the acquisitions of Josephthal and Prime Charter in the latter part of 2001 and the business of BUYandHOLD in March 2002. Compensation and related expenses in 2002 were \$169,810,000, an increase of 14% from \$148,838,000 in 2001. Compensation expense has volume-related components and increases with increases in commission business conducted in 2002 compared to 2001, as well as increased retention and severance costs and a general increase in staff levels in both acquired branch offices and in head office departments which were required to handle the business volume of the larger entity. Clearing and exchange fees in 2002 were \$9,607,000, an increase of 60% from \$6,012,000 in 2001. These expenses increased in 2002 compared with 2001 with increased volume and with the increased size of the sales force. In addition, until November, 2002, the business generated from the former Prime Charter branches was being cleared by a third party as was the business of BUYandHOLD until June, 2002. The cost of third party clearing is higher than the cost of clearing trades in-house. Communications expenses in 2002 were \$32,066,000, an increase of 36% over \$23,620,000 in 2001 reflecting additional costs of a larger branch system, after the acquisition of Josephthal and Prime Charter. Occupancy costs in 2002 were \$27,772,000, an increase of 44% compared to \$19,233,000 in 2001 as a result of increasing the size of the organization with the acquisition of Josephthal and Prime Charter in 2001. The increase in communications, technology and occupancy expenses reflects the additional costs associated with connecting and housing 51% more financial consultants in 15 more branch offices in 2002 compared to September 16, 2001, before the acquisitions of Josephthal and Prime Charter. Occupancy costs were also significantly impacted by costs associated with underutilized space that will be utilized in 2003 and future years by post year-end acquisitions. Other expenses were \$22,782,000, an increase of 27% over \$17,875,000 in 2001. The increase relates primarily to increased bad debt expense and costs of litigation.

Liquidity and Capital Resources

Total assets at December 31, 2003 increased by approximately 66% from December 31, 2002 due primarily to the acquisition of the Oppenheimer divisions and the conversion of the Oppenheimer private client division client accounts to the Oppenheimer clearing platform on May 27, 2003. Liquid assets at December 31, 2003

accounted for 88% of total assets, compared to 98% at December 31, 2002. The acquisitions of the Oppenheimer divisions resulted in the addition of fixed assets, intangibles and goodwill, all considered long-term in nature. Current assets at December 31, 2003 increased by 50% compared to the previous year-end because of increases in all aspects of the Company's business with the self-clearing of the Oppenheimer divisions business. The new business impacted broker and customer receivables, stock borrow/ stock loan balances, deposits with clearing organizations, restricted cash and notes receivable. The Company satisfies its need for funds from its own cash resources, internally generated funds, collateralized and uncollateralized borrowings, consisting primarily of bank loans, and uncommitted lines of credit. The amount of Oppenheimer's bank borrowings fluctuates in response to changes in the level of the Company's securities inventories and customer margin debt, changes in stock loan balances and changes in notes receivable from employees. Oppenheimer has arrangements with banks for borrowings on an unsecured and on a fully collateralized basis. At December 31, 2003, \$101,619,000 of such borrowings were outstanding, an increase of over 527% compared to outstanding borrowings at December 31, 2002. At December 31, 2003, the Company had available collateralized and uncollateralized letters of credit of \$143,934,000.

In connection with the acquisition of the Oppenheimer divisions, the Company issued debentures in the amount of approximately \$161 million and a zero coupon promissory note in the amount of approximately \$66 million. The notes to the financial statements contain a description of these instruments. The interest due on the debentures is payable semi-annually and is being financed from internally-generated funds. The principal payments on the zero coupon promissory note is also being financed from internally-generated funds. The Company believes that the necessary internally-generated funds will be available to service these obligations from funds generated by normal operations, including funds generated by the acquired business.

In connection with the acquisition of the Oppenheimer divisions, the Company has arranged a credit facility in the amount of \$50 million with CIBC. In January 2003, the Company borrowed \$25 million under this facility and borrowed the balance in July 2003. The borrowings were used to finance broker notes and are repayable, together with interest at the CIBC U.S. base rate plus 2%, over five years or earlier if any broker notes become due earlier. The interest and principal repayments are being made out of internally-generated funds and the Company believes that the cash flow from funds generated by normal operations, including funds generated by the acquired business, will be adequate to enable the Company to meet its obligations. In accordance with the credit arrangement, the Company has provided certain covenants to CIBC with respect to the maintenance of minimum debt/equity ratios and net capital of Oppenheimer. In the Company's view, the most restrictive of the covenants requires that Oppenheimer maintain minimum excess net capital of \$100 million. As at December 31, 2003, the Company was in compliance with the covenants. The Company does not foresee any difficulties in complying with the covenants.

Management believes that funds from operations, combined with the Company's capital base and available credit facilities, are sufficient for the Company's liquidity needs in the foreseeable future.

The Company paid cash dividends to its shareholders totalling \$4,616,000, during 2003, from internally-generated cash.

During 2003, the Company purchased a total of 25,700 of its Class A non-voting shares at an average cost of \$22.76 per share through the facilities of the New York Stock Exchange by way of a Normal Course Issuer Bid, using internally generated cash. The Company has expressed an intention to purchase up to an additional 636,000 of its shares from time to time until July 9, 2004 from internally generated funds.

Because of the Company's strong financial condition, size and earnings history, management believes adequate sources of credit would be available to finance higher trading volumes, branch expansion, and major capital expenditures, as needed. See factors affecting "forward-looking statements".

The book value of the Company's Class A and Class B Shares was \$21.75 at December 31, 2003, an increase of approximately 10% compared to \$19.82 at December 31, 2002, based on total outstanding shares of 12,919,200 and 12,496,687, respectively.

Contractual and Contingent Obligations

The Company has contractual obligations to make future payments in connection with non-cancelable lease obligations, certain retirement plans and debt assumed upon the acquisition of Josephthal. Additional disclosure relating the Company's commitments appears in note 13 to the consolidated financial statements.

The following table sets forth these contractual and contingent commitments as at December 31, 2003.

	Contractual Obligations (in millions of dollars)					Total
	2004	2005	2006	2007	There- after	
Minimum rentals	\$23	\$21	\$19	\$17	\$ 68	\$148
Supplemental Executive Retirement Plan	1	—	—	—	—	1
Assumed Josephthal notes	4	1	—	—	—	5
Bank loans	10	10	10	10	—	40
Debentures	—	—	—	—	161	161
Zero coupon notes	15	15	15	6	—	51
Total	\$53	\$47	\$44	\$33	\$229	\$406

Inflation

Because the assets of the Company's brokerage subsidiaries are highly liquid, and because securities inventories are carried at current market values, the impact of inflation generally is reflected in the financial statements. However, the rate of inflation affects the Company's costs relating to employee compensation, rent, communications and certain other operating costs, and such costs may not be recoverable in the level of commissions charged. To the extent inflation results in rising interest rates and has other adverse effects upon the securities markets, it may adversely affect the Company's financial position and results of operations.

Risk Management

The Company's principal business activities by their nature involve significant market, credit and other risks. The Company's effectiveness in managing these risks is critical to its success and stability.

As part of its normal business operations, the Company engages in the trading of both fixed income and equity securities in both a proprietary and market-making capacity. The Company makes markets in over-the-counter equities in order to facilitate order flow and accommodate its institutional and retail customers. The Company also makes markets in municipal bonds, mortgage-backed securities, government bonds and high yield bonds.

Market Risk

Market risk generally means the risk of loss that may result from the potential change in the value of a financial instrument as a result of fluctuations in interest and currency exchange rates and in equity and commodity prices. Market risk is inherent in all types of financial instruments, including both derivatives and non-derivatives. The Company's exposure to market risk arises from its role as a financial intermediary for its customers' transactions and from its proprietary trading and arbitrage activities.

Operational Risk

Operational risk generally means the risk of loss resulting from improper processing of transactions or deficiencies in the Company's operating systems or internal controls. With respect to its trading activities, the Company has procedures designed to ensure that all transactions are accurately recorded and properly reflected on the Company's books on a timely basis. With respect to client activities, the Company operates a system of internal controls designed to ensure that transactions and other account activity (new account solicitation, transaction authorization, transaction processing, billing

and collection) are properly approved, processed, recorded and reconciled. The Company has procedures designed to assess and monitor counterparty risk. For a discussion of funding risk, see 'Liquidity and Capital Resources', above.

Credit Risk

Credit risk arises from non-performance by trading counterparties, customers and issuers of debt securities held in the Company's inventory. The Company manages this risk by imposing and monitoring position limits, regularly reviewing trading counterparties, monitoring and limiting securities concentrations, marking positions to market on a daily basis to evaluate and establish the adequacy of collateral, and, with respect to trading counterparties, conducting business through clearing corporations which guarantee performance. Further discussion of credit risk appears in note 14 to the Consolidated Financial Statements.

Legal and Regulatory Risk

Legal and regulatory risk includes the risk of non-compliance with applicable legal and regulatory requirements. The Company is subject to extensive regulation in the different jurisdictions in which it conducts its activities. The Company has comprehensive procedures for addressing issues such as regulatory capital requirements, sales and trading practices, use of and safekeeping of customer funds and securities, granting of credit, collection activities, money laundering, and record keeping.

Newly Issued Accounting Standards

The Financial Accounting Standards Board issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others", FIN No. 46, "Consolidation of Variable Interest Entities", SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" and SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". The Company has adopted these statements and interpretations and their adoption did not have a material impact on its financial results.

The Company has reviewed SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure" and has adopted the disclosure provisions, but does not intend to adopt other provisions of this standard at this time.

Factors Affecting "Forward-Looking Statements"

From time to time, the Company may publish "Forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Act"), and Section 21E of the Exchange Act or make oral statements that constitute forward-looking statements. These forward-looking statements may relate to such matters as anticipated financial performance, future revenues or earnings, business prospects, projected ventures, new products, anticipated market performance, and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company cautions readers that a variety of factors could cause the Company's actual results to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. These risks and uncertainties, many of which are beyond the Company's control, include, but are not limited to: (i) transaction volume in the securities markets, (ii) the volatility of the securities markets, (iii) fluctuations in interest rates, (iv) changes in regulatory requirements which could affect the cost of doing business, (v) fluctuations in currency rates, (vi) general economic conditions, both domestic and international, (vii) changes in the rate of inflation and the related impact on the securities markets, (viii) competition from existing financial institutions and other new participants in the securities markets, (ix) legal developments affecting the litigation experience of the securities industry, (x) changes in federal and state tax laws which could affect the popularity of products sold by the Company, and (xi) domestic and world events. The Company does not undertake any obligation to publicly update or revise any forward-looking statements.

Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of Oppenheimer Holdings Inc. were prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies of the Company are described in Note 1 to the consolidated financial statements.

Management is responsible for the integrity and objectivity of the information contained in the consolidated financial statements. In order to present fairly the financial position of the Company and the results of its operations and its cash flows, estimates which are necessary are based on careful judgments and have been properly reflected in the consolidated financial statements. Management has established systems of internal control which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

PricewaterhouseCoopers LLP, the Company's independent auditors, conduct an audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Their audit includes a review and evaluation of the Company's systems of internal control, and such tests and procedures as they consider necessary in order to form an opinion as to whether the consolidated financial statements are presented fairly in accordance with Canadian generally accepted accounting principles.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors is assisted in this responsibility by its Audit Committee, whose members are not officers of the Company. The Audit Committee meets with management as well as with the independent auditors to review the internal controls, consolidated financial statements, and the auditors' report. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

A.G. Lowenthal
Chairman of the Board
and Chief Executive Officer



E.K. Roberts
President and Treasurer



February 25, 2004

Auditors' Report

To the Shareholders of Oppenheimer Holdings Inc.

We have audited the consolidated balance sheets of Oppenheimer Holdings Inc. as at December 31, 2003 and 2002 and the consolidated statements of operations, changes in shareholders' equity and cash flows for each of the years in the three year period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2003 in accordance with Canadian generally accepted accounting principles.

On February 25, 2004, PricewaterhouseCoopers LLP, New York reported separately to the shareholders of the Company on financial statements for the same period, prepared in accordance with accounting principles generally accepted in the United States of America, which were prepared for inclusion in the Company's report on Form 10-K for the fiscal period ended December 31, 2003.



PricewaterhouseCoopers LLP
Chartered Accountants

Toronto, Ontario
February 25, 2004

Oppenheimer Holdings Inc.
Consolidated Balance Sheets

As at December 31

Assets	2003	2002
(Expressed in thousands of U.S. dollars)		
Current assets		
Cash and cash equivalents	\$ 34,478	\$ 16,115
Restricted deposits (note 4)	14,466	7,440
Deposits with clearing organizations	17,858	3,606
Receivable from brokers and clearing organizations	278,521	492,094
Receivable from customers	906,487	392,929
Securities owned, including amounts pledged, at market value (note 5)	95,223	50,173
Notes receivable (note 16)	97,919	17,012
Other	63,610	28,418
	1,508,562	1,007,787
Other assets		
Stock exchange seats (approximate market value \$4,968; \$6,716 in 2002)	2,994	2,994
Property, plant and equipment (note 6)	23,807	8,488
Intangible assets, net of amortization (note 1g)	35,865	—
Goodwill	137,889	11,957
	200,555	23,439
	\$1,709,117	\$1,031,226
Liabilities and Shareholders' Equity	2003	2002
(Expressed in thousands of U.S. dollars)		
Current liabilities		
Drafts payable	\$ 68,148	\$ 21,653
Bank call loans (note 7)	91,500	16,200
Payable to brokers and clearing organizations	467,966	520,743
Payable to customers	406,137	162,343
Securities sold, but not yet purchased, at market value (note 5)	10,687	9,606
Accrued compensation	88,999	27,194
Accounts payable and other liabilities	33,857	23,551
Income taxes payable	67	2,057
Current portion of bank loans (note 8)	10,119	—
Current portion of long term debt (note 8)	15,921	—
	1,193,401	783,347
Long term liabilities		
Bank loans (note 8)	29,536	—
Long term debt (note 8)	34,954	—
Exchangeable debentures (note 8)	160,822	—
Deferred income tax	9,473	243
	234,785	243
Commitments and contingencies (note 13)		
Shareholders' equity		
Share capital (note 9)		
12,819,520 Class A Shares issued		
(2002-12,397,007 shares issued)	41,856	34,674
99,680 Class B Shares issued	133	133
	41,989	34,807
Contributed capital (note 10)	5,966	5,028
Retained earnings	232,976	207,801
	280,931	247,636
	\$1,709,117	\$1,031,226

Approved on behalf of the Board:


 Director


 Director

Consolidated Statements of Operations

For the year ended December 31

	2003	2002	2001
(Expressed in thousands of U.S. dollars, except per share amounts)			
Revenue			
Commissions	\$325,071	\$135,747	\$122,272
Principal transactions, net	136,672	58,227	56,374
Interest	42,600	27,622	34,309
Underwriting fees	50,623	22,760	10,955
Advisory fees	80,550	26,365	24,504
Arbitration award	21,750	—	—
Other	32,727	12,612	12,847
	689,993	283,333	261,261
Expenses			
Compensation and related expenses	\$435,160	169,810	148,838
Clearing and exchange fees	20,734	9,607	6,012
Communications	54,526	32,066	23,620
Occupancy and equipment costs	53,604	27,772	19,233
Interest	14,322	8,379	14,071
Other	61,044	22,782	17,875
	639,390	270,416	229,649
Profit before income taxes	50,603	12,917	31,612
Income tax provision (note 11)	20,812	5,370	12,462
Net profit for year	\$ 29,791	\$7,547	\$19,150
Earnings per share (notes 3 and 12)			
Basic	\$2.35	\$0.61	\$1.55
Diluted	\$1.63	\$0.59	\$1.50

Consolidated Statements of Changes in Shareholders' Equity

For the year ended December 31

	2003	2002	2001
(Expressed in thousands of U.S. dollars)			
Share capital			
Balance at beginning of year	\$ 34,807	\$ 34,593	\$ 30,019
Issue of Class A Shares	7,767	3,503	4,723
Repurchase of Class A Shares for cancellation	(585)	(3,289)	(149)
Balance at end of year	\$ 41,989	\$ 34,807	\$ 34,593
Contributed Capital			
Balance at beginning of year	\$ 5,028	\$ 4,113	\$ 3,499
Tax benefit from employee stock options exercised	938	915	614
Balance at end of year	\$ 5,966	\$ 5,028	\$ 4,113
Retained Earnings			
Balance at beginning of year	\$207,801	\$202,989	\$188,282
Cumulative effect of a change in accounting principle (note 3)	—	1,774	—
Net profit for year	29,791	7,547	19,150
Dividends paid	(4,616)	(4,509)	(4,443)
Balance at end of year	\$232,976	\$207,801	\$202,989
Total Shareholders' Equity	\$280,931	\$247,636	\$241,695

Consolidated Statements of Cash Flows

For the year ended December 31

	2003	2002	2001
(Expressed in thousands of U.S. dollars)			
Cash flows from operating activities:			
Net profit for year	\$ 29,791	\$ 7,547	\$ 19,150
Adjustments to reconcile net profit to net cash provided by (used in) operating activities:			
Non-cash items included in net profit:			
Depreciation and amortization	9,518	4,864	3,974
Loss on disposal of fixed assets	—	—	443
Future tax liability	9,230	57	—
Tax benefit from employee stock options exercised	938	915	614
Decrease (increase) in operating assets, net of the effect of acquisitions:			
Restricted deposits	(7,026)	(5,047)	319
Securities purchased under agreement to resell	—	—	23,500
Deposits with clearing organizations	(14,252)	4,080	(1,769)
Receivable from brokers and clearing organizations	213,573	(391,400)	37,463
Receivable from customers	(513,558)	71,057	(35,404)
Securities owned	(32,267)	699	1,524
Notes receivable	(15,395)	(4,522)	(7,763)
Other assets	(21,740)	(3,377)	1,647
Increase (decrease) in operating liabilities, net of the effect of acquisitions:			
Drafts payable	46,495	1,031	(5,842)
Securities sold under agreement to repurchase	—	—	(23,500)
Payable to brokers and clearing organizations	(52,777)	341,531	(42,938)
Payable to customers	243,794	(26,044)	63,853
Securities sold, but not yet purchased	1,081	685	498
Accrued compensation	47,678	1,558	1,773
Accounts payable and other liabilities	214	(7,439)	(11,684)
Income taxes payable	(1,990)	565	(3,487)
Cash (used in) provided by operating activities	(56,693)	(3,240)	22,341
Cash flows from investing activities:			
Purchase of the Oppenheimer business divisions	(15,611)	—	—
Purchase of Josephthal Group, Inc., net of cash acquired	—	—	3,139
Purchase of Grand Charter Group, net of cash acquired	—	—	(1,789)
Purchase of the business of BUYandHOLD	—	(2,297)	—
Proceeds from sale of exchange seat	—	24	—
Purchase of property, plant and equipment	(12,215)	(1,360)	(1,009)
Cash (used in) provided by investing activities	(27,826)	(3,633)	341
Cash flows from financing activities:			
Cash dividends paid on Class A non-voting and Class B shares	(4,616)	(4,509)	(4,443)
Issuance of Class A non-voting shares	7,767	3,503	4,723
Repurchase of Class A non-voting shares for cancellation	(585)	(3,289)	(149)
Zero coupon promissory notes repayments	(14,639)	—	—
Proceeds from issuance of bank loans	50,000	—	—
Bank loan repayments	(10,345)	—	—
Increase (decrease) in bank call loans	75,300	3,066	(13,265)
Cash provided by (used in) financing activities	102,882	(1,229)	(13,134)
Net increase (decrease) in cash and cash equivalents	18,363	(8,102)	9,548
Cash and cash equivalents, beginning of year	16,115	24,217	14,669
Cash and cash equivalents, end of year	\$ 34,478	\$ 16,115	\$ 24,217

Supplemental Cash Flow Disclosure:

Non-cash acquisition activity (see note 15)

Notes to Consolidated Financial Statements

Expressed in U.S. dollars.

General

Oppenheimer Holdings Inc. (formerly Fahnestock Viner Holdings Inc.) ("OPY") is incorporated under the laws of Ontario. On September 2, 2003 the names of OPY and certain of its subsidiaries were changed. The consolidated financial statements include the accounts of OPY and its subsidiaries (together, the "Company"). The principal subsidiaries of OPY are Oppenheimer & Co. Inc. (formerly Fahnestock & Co. Inc.) ("Oppenheimer"), a registered broker dealer in securities, and Oppenheimer Asset Management Inc. (formerly Hudson Capital Advisors, Inc.) ("OAM"), a registered investment advisor under the Investment Advisors Act of 1940. Oppenheimer operates as Fahnestock & Co. Inc. in South America. Oppenheimer owns Freedom Investments, Inc. ("Freedom"), a registered broker dealer in securities, which also operates as the BUYandHOLD division of Freedom, offering on-line discount brokerage and dollar-based investing services. Oppenheimer is a member of the New York Stock Exchange, the American Stock Exchange and several other regional exchanges in the United States. The Company engages in a broad range of activities in the securities industry, including retail securities brokerage, institutional sales and trading, investment banking (both corporate and public finance), research, market-making, trust services, and investment advisory and asset management services.

1. Summary of significant accounting policies

These consolidated financial statements have been prepared in conformity with Canadian generally accepted accounting principles. In all material respects, they conform with accounting principles generally accepted in the United States of America, except as discussed in note 3a. Disclosures reflected in these consolidated financial statements comply in all material respects with those required under accounting principles generally accepted in the United States of America.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates are related to income taxes and contingencies. Actual results could be materially different from these estimates.

Since operations are predominantly based in the United States of America, these consolidated financial statements are presented in U.S. dollars.

Certain prior period amounts have been reclassified to conform to the current presentation.

The following is a summary of significant accounting policies followed in the preparation of these consolidated financial statements:

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries. The major subsidiaries, wholly-owned and operated in the United States of America, are as follows:

- Oppenheimer & Co. Inc., broker/dealer in securities
- Oppenheimer Asset Management Inc., investment advisory services
- Freedom Investments, Inc., discount broker in securities

Significant intercompany balances and transactions have been eliminated in the preparation of the consolidated financial statements.

(b) Brokerage operations

Transactions in proprietary securities and related revenues and expenses are recorded on a trade date basis. Customers' securities and commodities transactions are reported on a settlement date basis, which is generally three business days after trade date. Related commission income and expense is recorded on a trade date basis. Securities owned and securities sold, but not yet purchased, are reported at fair market value generally based upon quoted prices. Realized and unrealized changes in market value are recognized in net trading revenues in the period in which the change occurs. Other financial instruments are carried at fair value or amounts that approximate fair value.

(c) Asset management operations

Asset management fees are generally recognized over the period the related service is provided based on the account value at the valuation date per the respective asset management agreements. In certain circumstances, OAM is entitled to receive incentive fees when the return on assets under management exceeds certain benchmark returns or other performance targets. Incentive fees are generally based on investment performance over a 12-month period and are not subject to adjustment once the measurement period ends. Accordingly, incentive fees are recognized in the consolidated statements of operations when the measurement period ends. Asset management fees and incentive fees are included in "Advisory fees" in the consolidated statements of earnings. Assets under management are not included as assets of the Company.

(d) Cash and cash equivalents

The Company defines cash equivalents as highly liquid investments with original maturities of less than 90 days that are not held for sale in the ordinary course of business.

(e) Drafts payable

Drafts payable represent amounts drawn by the Company against a bank.

(f) Goodwill

Goodwill arose upon the acquisitions of Oppenheimer, First of Michigan Capital Corporation, Josephthal & Co. Inc., Grand Charter Group Incorporated and the Oppenheimer divisions. Goodwill is subject to an annual test for impairment to determine if the fair value of goodwill of a reporting unit is less than its carrying amount. Goodwill recorded as at December 31, 2003 has been tested for impairment and no such impairment was recorded.

(g) Intangible Assets

Intangible assets arose upon the acquisition of the Oppenheimer divisions and are comprised of customer relationships and trademarks and trade names. Customer relationships, carried at \$4,165,000 net of accumulated amortization of \$735,000, are being amortized on a straight-line basis over 80 months commencing in January 2003. Trademarks and trade names, carried at \$31,700,000, which are not amortized, are subject to an annual test for impairment to determine if the fair value is less than its carrying amount.

(h) Property, plant and equipment

Furniture, fixtures, equipment and leasehold improvements are stated at cost. Depreciation of furniture, fixtures and equipment is provided on a straight-line basis generally over three to seven years. Leasehold improvements are amortized on a straight-line basis over the shorter of the life of the improvement or the remaining term of the lease.

(i) Foreign currency translations

Canadian currency balances have been translated into U.S. dollars as follows: monetary assets and liabilities at exchange rates prevailing at period end; revenue and expenses at average rates for the period; and non-monetary assets and share capital at historical rates.

(j) Income taxes

Future income tax assets and liabilities arise from "temporary differences" between the tax basis of an asset or liability and its reported amount in the consolidated financial statements. Future tax balances are determined by applying the enacted tax rates.

(k) Securities lending activities

Securities borrowed and securities loaned are carried at the amounts of cash collateral advanced or received.

Securities borrowed transactions require the Company to deposit cash or other collateral with the lender. The Company receives cash or collateral in an amount generally in excess of the market value of securities loaned.

The Company monitors the market value of securities borrowed and loaned on a daily basis and may require counterparties to deposit additional collateral or return collateral pledged, when appropriate.

Included in receivable from brokers and clearing organizations are deposits paid for securities borrowed of \$237,329,000 (as at December 31, 2002 — \$480,938,000). Included in payable to brokers and clearing organizations are deposits received for securities loaned of \$444,977,000 (as at December 31, 2002 — \$514,213,000).

(l) Resale and repurchase agreements

Transactions involving purchases of securities under agreements to resell ("reverse repurchase agreements") or sales of securities under agreements to repurchase ("repurchase agreements") are treated as collateralized financing transactions and recorded at their contractual resale or repurchase amounts plus accrued interest.

The Company obtains possession of collateral with a market value equal to or in excess of the principal amount loaned under reverse repurchase agreements. Collateral is valued daily and adjusted when appropriate.

(m) Investment banking revenues

Investment banking fees are recorded on offering date, sales concessions on settlement date and underwriting fees at the time the transaction is substantially completed and income is reasonably determinable.

(n) Interest expense

Included in interest expense is interest on bank loans, debt, payments in lieu of interest on securities loaned and interest paid with respect to repurchase agreements.

(o) Stock-based compensation plans

The Company has a stock-based compensation plan. No compensation expense is recognized for this plan when stock options are issued to employees as the options are exercisable at the fair value at the date of grant. Any consideration paid by employees on the exercise of stock options or purchase of stock is credited to share capital.

2. Impact of Recently Issued Accounting Pronouncements

(a) Goodwill and other intangible assets

In 2001 the CICA issued a new accounting standard for goodwill and other intangible assets. Under this standard, goodwill is no longer to be amortized but is subject to a revised annual impairment test to identify any potential goodwill impairment. A goodwill impairment loss will be recognized if the fair value of the goodwill of a reporting unit is less than its carrying amount. The standard also requires that intangible assets with indefinite useful lives no longer be amortized, but be subject to an annual impairment test comparing fair values to carrying amounts.

The Company adopted this standard effective January 1, 2002 without restatement of prior periods. In connection with the adoption of the new standard, the Company's recorded amount of goodwill is no longer subject to amortization but is being periodically measured for impairment. Such impairment test was performed as at December 31, 2003 and no impairment was recorded.

(b) Stock-based compensation and other stock-based payments

In 2001 the CICA issued an accounting standard for stock-based compensation and other stock-based payments, which is effective for fiscal year 2003, with earlier adoption permitted. This section harmonizes Canadian standards with the United States standards for disclosures relating to stock-based compensation and other stock-based payments. Pro forma fair-value based income and earnings per share disclosures are required under the new standard. Options granted to the Company's employees are not required under the standard to be accounted for using a fair-value-based method for the year ended December 31, 2003. Accordingly there was no change to the Company's existing accounting policies for these options. The Company has adopted the standard and has provided the pro forma disclosures in note 12. Beginning in 2004, under Canadian standards, the Company will be required to use a fair value based method to account for certain stock-based compensation arrangements.

(c) Other

In 2003, the CICA issued new accounting guidelines with respect to hedging relationships and the consolidation of variable interest entities. The Company is not presently affected by these new guidelines because it neither owns any hedging contracts nor does it have interests in any variable interest entities.

3. Differences between Canadian and United States generally accepted accounting principles

The consolidated financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). These principles conform with accounting principles generally accepted in the United States of America ("U.S. GAAP"). U.S. GAAP disclosure requires reference to the following accounting standards:

(a) Goodwill and other intangibles

Effective January 1, 2002, the Company adopted the new Canadian and U.S. standards for goodwill and other intangible assets, without restatement of prior periods. These standards are substantially the same except that the required write-off of unamortized "negative goodwill" is recognized as a charge to opening retained earnings under Canadian GAAP and as a cumulative adjustment to income under U.S. GAAP. On adoption of the new standard, a benefit to U.S. GAAP income of \$1,774,000 was recognized (\$0.14 per share basic and diluted).

The following table reflects the effect of the amortization of goodwill on the results of operations as though FAS 142 had been adopted on January 1, 2001.

	2003	December 31,	
		2002	2001
Profit before cumulative effect of a change in accounting principle as reported	\$29,791	\$7,547	\$19,150
Amortization of goodwill as reported	—	—	432
Profit before cumulative effect of a change in accounting principle as adjusted	29,791	7,547	19,582
Cumulative effect of a change in accounting principle as reported	—	1,774	—
Net profit as adjusted	\$29,791	\$9,321	\$19,582
Basic earnings per share as reported	\$2.35	\$0.75	\$1.55
Before cumulative effect of a change in accounting principle	\$2.35	\$0.63	\$1.55
Cumulative effect of a change in accounting principle	—	\$0.14	—
Diluted earnings per share as reported	\$1.63	\$0.73	\$1.50
Basic earnings per share as adjusted	\$2.35	\$0.75	\$1.59
Diluted earnings per share as adjusted	\$1.63	\$0.73	\$1.53

(b) Stock-based compensation

United States Financial Accounting Standards Board Statement No.123 "Accounting for Stock-Based Compensation" ("SFAS 123") was issued in 1995, and changed the method for accounting for stock compensation plans similar to those of the Company. Adoption of SFAS 123's fair value recognition method is optional. The Company has chosen to continue to apply Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for its stock compensation plans. Accordingly, the Company has not recorded any expense with respect to stock-based compensation in its results of operations for the years ended December 31, 2003, 2002 and 2001. The Company has reviewed SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure", which was issued in 2002 and has adopted the disclosure provisions but does not intend to adopt the other provisions of this standard at this time.

In accordance with SFAS 123, the pro forma income and earnings per share impact, using a fair value calculation, of the Company's stock-based compensation is presented in note 12.

(c) Recently Issued Accounting Standards

The Financial Accounting Standards Board issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others", FIN No. 46, "Consolidation of Variable Interest Entities", SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" and SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". The Company has adopted these statements and interpretations and their adoption did not have a material impact on its financial results.

The Company has reviewed SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure" and has adopted the disclosure provisions, but does not intend to adopt the other provisions of this standard at this time.

4. Restricted deposits

Deposits of \$14,466,000 (2002 — \$7,440,000) were held at year-end in a special reserve bank account for the exclusive benefit of customers in accordance with regulatory requirements. To the extent permitted, these deposits are invested in interest bearing accounts collateralized by qualified securities.

5. Securities owned and Securities sold, but not yet purchased (at fair market value)

	December 31, 2003	2002
Securities owned consist of:		
Corporate equities	\$34,877,000	\$11,467,000
Corporate and sovereign debt	24,962,000	16,522,000
U.S. government and agency and state and municipal government obligations	32,070,000	22,103,000
Money market funds and other	3,314,000	81,000
	\$95,223,000	\$50,173,000
Securities sold, but not yet purchased consist of:		
Corporate equities	\$3,128,000	\$5,049,000
Corporate debt	5,115,000	3,935,000
U.S. government and agency and state and municipal government obligations and other	2,444,000	622,000
	\$10,687,000	\$9,606,000

Securities owned and Securities sold, but not yet purchased, consist of trading and investment securities at fair market values. Included in securities owned at December 31, 2003 are corporate equities with fair market values of approximately \$15,781,000, which are correlated to deferred compensation liabilities to certain employees. At December 31, 2003, the Company has pledged securities owned of approximately \$1,427,000 (\$1,078,000 in 2002) as collateral to counterparties for securities loan transactions, which can be sold or repledged.

6. Property, plant and equipment

		2003	2002	
(Expressed in thousands of U.S. dollars)				
	Cost	Accumulated depreciation/ amortization	Net book value	Net book value
Furniture, fixtures and equipment	\$40,415	\$25,744	\$14,671	\$7,395
Leasehold improvements	15,542	6,406	9,136	1,093
	\$55,957	\$32,150	\$23,807	\$8,488

Depreciation and amortization expense, included in occupancy and equipment costs, was \$8,783,000, \$4,864,000 and \$3,542,000 in the years ended December 31, 2003, 2002 and 2001, respectively.

7. Bank call loans

Bank call loans, primarily payable on demand, bear interest at various rates but not exceeding the broker call rate, which was 2.75% at December 31, 2003. These loans, collateralized by firm and customer securities with market values of approximately \$35,674,000 and \$139,478,000, respectively, at December 31, 2003 are primarily with two U.S. money center banks. Details of the bank call loans are as follows:

	2003	2002	2001
Year-end balance	\$91,500,000	\$16,200,000	\$13,134,000
Weighted interest rate (at end of year)	1.41%	1.38%	2.07%
Maximum balance (at any month end)	\$170,100,000	\$49,281,000	\$37,666,000
Average amount outstanding (during the year) (1)	\$86,026,000	\$19,760,000	\$12,836,000
Weighted average interest rate (during the year) (2)	2.96%	2.10%	4.80%

(1) The average amount outstanding during the year was computed by adding amounts outstanding at the end of each month and dividing by twelve.

(2) The weighted average interest rate during the year was computed by dividing the actual interest expense by the average bank call loans outstanding at the end of each month.

Aggregate interest paid on bank call loans by the Company on a cash basis during the years ended December 31, 2003, 2002, and 2001 was \$6,523,000, \$6,473,000 and \$9,406,000, respectively.

8. Long term liabilities

Issued	Maturity Date	Interest Rate	December 31, 2003
Bank loans (a)	1/2/2008	6.5%	\$39,655,000
Less current portion			10,119,000
Long term portion of bank loans			\$29,536,000
Zero Coupon Promissory Note, issued January 2, 2003 (b)	—	0%	\$50,875,000
Less current portion			15,921,000
Long term portion of long-term debt			\$34,954,000
First and Second Variable Rate Exchangeable Debentures, issued January 6, 2003 and May 12, 2003, respectively (c)	1/2/2013	3%	\$160,822,000

(a) Bank loans are subject to a credit arrangement with Canadian Imperial Bank of Commerce ("CIBC") dated January 2, 2003 in the aggregate amount of \$50 million dollars, and bear interest at the U.S. base rate plus 2% per annum. The minimum annual principle repayment under the agreement is approximately \$10,119,000. The principle repayments are tied to certain employee notes receivable issued during 2003 and repayments above the minimum level are triggered by the termination of employment of these employees. In accordance with the credit arrangement, the Company has provided certain covenants to CIBC with respect to the maintenance of minimum debt/equity ratios and net capital of Oppenheimer. In the Company's view, the most restrictive of the covenants requires that Oppenheimer maintain minimum excess net capital of \$100 million. As at December 31, 2003, the Company was in compliance with the covenants. Interest expense on bank loans was \$2,021,000 in 2003, of which \$1,802,000 was paid on a cash basis.

(b) The Zero Coupon Promissory Note is repayable as related employee notes receivable, which are assigned to Oppenheimer, become due and are forgiven. Such payments are to be made notwithstanding whether any of the employees' loans default.

(c) The First and Second Variable Rate Exchangeable Debentures are exchangeable for approximately 6.9 million Class A Shares of the Company at the rate of \$23.20 per share. The annual interest rate is 3% in 2003, 4% in 2004 – 2006, and 5% in 2007 through maturity. The First and Second Variable Rate Exchangeable Debentures, which mature on January 2, 2013, contain a retraction clause, which may be activated by the holder for a period of 120 days at the end of year seven. Interest is payable semi-annually in June and December. Interest expense on the First and Second Variable Rate Exchangeable Debentures was \$4,811,000 in 2003.

9. Share capital

The Company's authorized share capital, all of which is without par value, consists of (a) an unlimited number of first preference shares issuable in series; (b) an unlimited number of Class A non-voting shares ("Class A Shares"); and (c) 99,680 Class B voting shares ("Class B Shares").

The Class A and the Class B Shares are equal in all respects except that the Class A Shares are non-voting.

The Company's issued and outstanding share capital is as follows (no first preference shares have been issued):

	2003	2002	2001
12,819,520 (12,397,007 in 2002 and 12,337,085 in 2001)			
Class A Shares	\$41,856,000	\$34,674,000	\$34,460,000
99,680 Class B Shares	133,000	133,000	133,000
	\$41,989,000	\$34,807,000	\$34,593,000

Equity Incentive Plan

Under the Company's 1996 Equity Incentive Plan as amended February 28, 2002 ("EIP"), the compensation and stock option committee of the board of directors of the Company may grant options to purchase Class A Shares to officers and key employees of the Company and its subsidiaries. Grants of options are made to the Company's independent directors on a formula basis. Options are generally granted for a five-year term and generally vest at the rate of 25% of the amount granted for each year held. The aggregate number of Class A Shares that are available under the EIP is 3,815,000.

	2003		2002	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Options outstanding, beginning of year	1,978,959	\$20.16	1,907,503	\$17.36
Options granted	376,500	\$24.97	383,128	\$27.14
Options exercised	(425,171)	\$16.83	(211,322)	\$16.57
Options forfeited	(45,305)	\$22.34	(100,350)	\$26.35
Options outstanding, end of year	1,884,983	\$21.81	1,978,959	\$20.16
Options vested, end of year	581,723	\$16.63	462,185	\$16.13

The following table summarizes stock options outstanding and exercisable as at December 31, 2003.

Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price of outstanding	Number exercisable (vested)	Weighted average exercise price vested options
\$13.875-\$22.00	633,178	0.75 years	\$15.35	463,723	\$14.63
\$22.00-\$34.51	1,251,805	2.97 years	\$25.08	118,000	\$24.49
\$13.875-\$34.51	1,884,983	2.22 years	\$21.81	581,723	\$16.63

The Company issued 23,042 Class A Shares from Treasury for a total consideration of \$613,000 to the Company's 401(k) plan in the year ended December 31, 2003 (nil in 2002 and 2001).

Dividends

In 2003, the Company paid cash dividends to holders of Class A and Class B Shares as follows (\$0.36 in 2002 and 2001):

Dividend per share	Record Date	Payment Date
\$0.09	February 14, 2003	February 28, 2003
\$0.09	May 9, 2003	May 23, 2003
\$0.09	August 8, 2003	August 22, 2003
\$0.09	November 7, 2003	November 21, 2003

Issuer Bid

The Company may purchase up to 636,000 Class A Shares by way of a Normal Course Issuer Bid through the facilities of The Toronto Stock Exchange and/or the New York Stock Exchange until July 9, 2004. During the year ended December 31, 2003, the Company purchased 25,700 Class A Shares for a total consideration of \$585,000, pursuant to a Normal Course Issuer Bid which expired on July 8, 2003 (151,400 shares for \$3,289,000 in 2002 and 6,100 shares for \$149,000 in 2001).

10. Contributed capital

Contributed capital represents the tax benefit on the difference between market price and exercise price on employee stock options exercised.

11. Income taxes

The income tax provision shown in the consolidated statement of operations is reconciled to amounts of tax that would have been payable (recoverable) from the application of combined federal, state, provincial and local tax rates to pre-tax profit as follows:

	2003	2002	2001
Profit before income tax	\$50,603,000	\$12,917,000	\$31,612,000
U.S. federal tax at 35%	\$18,361,000	\$4,524,000	\$11,092,000
Canadian tax at 44%	—	74,000	—
Combined state and local tax, net of federal benefit	2,047,000	653,000	1,977,000
Income taxes before under-noted	20,408,000	5,251,000	13,069,000
Tax effect of non-taxable interest and dividends	(329,000)	(148,000)	(143,000)
Tax effect of other temporary differences between accounting and taxable income	733,000	267,000	(464,000)
Income taxes	\$20,812,000	\$5,370,000	\$12,462,000

Profit before income tax provision:			
Canadian operations	(\$1,857,000)	\$(10,000)	\$(78,000)
U.S. operations	\$52,460,000	\$12,927,000	\$31,690,000

Income taxes included in the consolidated statements of operations represent the following:

	2003	2002	2001
Current:			
Canadian tax	—	\$74,000	—
U.S. federal tax	\$18,959,000	5,176,000	\$9,878,000
State and local tax	3,530,000	1,226,000	3,157,000
	\$22,489,000	6,476,000	13,035,000
Future:			
U.S. federal tax	\$(1,342,000)	\$(885,000)	\$(458,000)
State and local tax	(335,000)	(221,000)	(115,000)
	(1,677,000)	(1,106,000)	(573,000)
	\$20,812,000	\$5,370,000	\$12,462,000

Goodwill arising from the acquisitions of Josephthal Group Inc. and the Oppenheimer divisions is being amortized for tax purposes on a straight-line basis over 15 years. The difference between book and tax is recorded as a future tax liability.

Aggregate future income tax assets, which relate primarily to fixed assets and currently non-deductible expenses, are included in other assets and amounted to approximately \$7,257,000 (\$5,966,000 in 2002).

On a cash basis, the Company paid income taxes for the years ended December 31, 2003, 2002 and 2001 in the amounts of \$13,342,000, \$8,411,000 and \$14,918,000, respectively.

12. Earnings per share

Basic earnings per share was computed by dividing net profit by the weighted average number of Class A non-voting and Class B shares outstanding. Diluted earnings per share includes the weighted average Class A non-voting and Class B shares outstanding and the effects of exchangeable debentures using the if converted method and Class A non-voting share options using the treasury stock method.

Earnings per share has been calculated as follows:

	2003	2002	2001
Basic weighted average number of shares outstanding	12,692,634	12,429,264	12,348,051
Net effect, if converted method	6,932,000	—	—
Net effect, treasury method	317,850	280,278	421,783
Diluted common shares(1)	19,942,484	12,709,542	12,769,834
Net profit, as reported	\$29,791,000	\$7,547,000	\$19,150,000
Effect of dilutive exchangeable debentures	2,791,000	—	—
Net profit available to shareholders and assumed conversions	\$32,582,000	\$7,547,000	\$19,150,000
Basic profit per share	\$2.35	\$0.61	\$1.55
Diluted profit per share	\$1.63	\$0.59	\$1.50

(1) The diluted earnings per share computations do not include the antidilutive effect of the following options:

Number of antidilutive options, end of period	291,995	509,630	124,000
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Stock-based compensation

In accordance with Canadian accounting standards described in note 2 the following presents pro forma income and earnings per share impact, using a fair-value-based calculation, of the Company's stock-based compensation. Amounts are expressed in thousands of U.S. dollars except per share amounts.

	Year ended December 31,		
	2003	2002	2001
Net profit, as reported	\$29,791	\$7,547	\$19,150
Additional Compensation expense	1,840	1,906	1,843
Pro forma net profit	\$27,951	\$5,641	\$17,307
Basic profit per share, as reported	\$2.35	\$0.61	\$1.55
Diluted profit per share, as reported	\$1.63	\$0.59	\$1.50
Pro forma basic profit per share	\$2.20	\$0.45	\$1.40
Pro forma diluted profit per share	\$1.40	\$0.44	\$1.36

For purposes of the pro forma presentation, the Company determined fair value using the Black-Scholes option pricing model with the following weighted average assumptions for grants in fiscal 2003, 2002 and 2001, respectively: expected dividend yields of 1.3%, 1.4% and 1.4%; risk-free interest rates ranging from 2.87% to 3.4%, 3.75% to 4.55%, and 3.76% to 5.07%; expected volatility ranging from 21% to 23%, 27% to 28%, and 27% to 29%; and expected life of 5 years. The weighted average fair value of options granted during 2003, 2002 and 2001, respectively was \$1,697,000, \$1,946,000 and \$3,741,000. The fair value is being amortized over five years on an after-tax basis, where applicable for purposes of pro forma presentation. Stock options generally expire five years after the date of grant or three months after the date of retirement, if earlier. Stock options generally vest over a five year period with 0% in year one, 25% of the shares becoming exercisable on each of the next three anniversaries of the grant date and the balance vesting in the last six months of the option life. The vesting period is at the discretion of the Compensation and Stock Option Committee and is determined at the time of grant.

The calculation of fair value in this pro forma presentation are not indicative of future amounts because it does not take into consideration future grants, any difference between actual and assumed forfeitures.

13. Commitments and contingencies

(a) The Company and its subsidiaries have operating leases for office space and capital leases for equipment expiring at various dates through 2013. Future minimum rental commitments under such office and equipment leases are as follows:

2004	\$23,019,000
2005	20,787,000
2006	19,193,000
2007	17,483,000
2008 and thereafter	68,086,000
Total	\$148,568,000

Certain of the leases contain provisions for rent escalation based on increases in costs incurred by the lessor.

(b) The Company's rent expense for the years ended December 31, 2003, 2002 and 2001 was \$31,028,000, \$14,108,000 and \$10,909,000, respectively.

(c) The Company, through its subsidiaries, maintains a defined contribution plan covering substantially all full-time U.S. employees. The Oppenheimer plan provides that Oppenheimer may make discretionary contributions. For certain employees who were formerly employed by First of Michigan Corporation ("FOM"), contributions are made in accordance with the terms of the plan document.

FOM sponsors an unfunded Supplemental Executive Retirement Program ("SERP"), which is a non-qualified plan that provides certain former officers additional retirement benefits. Benefits payable under the SERP were approximately \$970,000 at December 31, 2003.

The Company made contributions to the plans of \$3,491,000, \$1,398,000 and \$1,525,000 in 2003, 2002 and 2001, respectively.

(d) On November 30, 2000 the Company established an Executive Deferred Compensation Plan ("EDCP") in order to offer to certain quali-

fied high-performing financial consultants, a bonus based upon a formula reflecting years of service, gross commissions and a valuation of their clients' assets. The bonus amounts calculated with respect to fiscal 2003 total approximately \$1,254,000 (\$966,000 in 2002, \$1,270,000 in 2001) and will normally vest five years from the end of the related fiscal year. The liability is being recognized on a straight-line basis over the vesting period. The total amount expensed in 2003 for deferred compensation was \$4,186,000.

The Company is maintaining a Deferred Compensation Plan on behalf of certain employees who were formerly employed by CIBC World Markets. The liability is being tracked against the value of an investment portfolio held by the Company for this purpose.

In 2003, the Company has granted Stock Appreciation Rights to certain employees as part of their compensation package based on a formula reflecting gross commission and length of service. The value of Stock Appreciation Rights granted in 2003 total approximately \$635,000 and will normally vest five years from the end of the related fiscal year. The liability is being recognized over the vesting period.

In 2003, the Company awarded up to 45,000 Class A Shares to certain employees, which will vest if the employees are continuously employed by the Company until January 3, 2006. The value of this award has been estimated at \$211,000. The liability is being recognized over the vesting period.

The amount expensed in 2003 for stock-related awards was \$468,000 (nil in 2002 and 2001).

(e) At December 31, 2003, the Company has collateralized and uncollateralized letters of credit for \$143,900,000. Collateral for these letters of credit include marketable customer securities of approximately \$181,914,000, pledged to two financial institutions.

(f) The Company is involved in certain litigation arising in the ordinary course of business. Management believes, based upon discussions with legal counsel, that the outcome of this litigation will not have a material effect on the Company's financial position. The materiality of legal matters to the Company's future operating results depends on the level of future results of operations as well as the timing and ultimate outcome of such legal matters.

(g) The Company's major subsidiaries, Oppenheimer and Freedom, are subject to the uniform net capital requirements of the Securities and Exchange Commission ("SEC") under Rule 15c3-1 (the "Rule"). Oppenheimer computes its net capital requirements under the alternative method provided for in the Rule which requires that Oppenheimer maintain net capital equal to two percent of aggregate customer related debit items, as defined in SEC Rule 15c3-3. At December 31, 2003, Oppenheimer had net capital of \$150,709,000, which was \$128,243,000 in excess of the \$22,466,000 required to be maintained at that date. Freedom computes its net capital requirement under the basic method provided for in the Rule, which requires that Freedom maintain net capital equal to the greater of \$250,000 or 6 2/3% of aggregate indebtedness, as defined. At December 31, 2003, Freedom had net capital of \$5,056,000, which was \$4,806,000 in excess of the \$250,000 required to be maintained at that date.

At December 31, 2003, Oppenheimer and Freedom had \$5,396,000 and \$9,070,000, respectively, in cash and securities segregated under Federal and other regulations.

Oppenheimer Trust Company is subject to regulation by the New Jersey Department of Banking.

(h) In accordance with the Securities and Exchange Commission's No Action Letter dated November 3, 1998, the Company has computed a reserve requirement for the proprietary accounts of introducing firms as of December 31, 2003. The Company had no deposit requirements as at December 31, 2003.

14. Financial instruments with off-balance sheet risk and concentration of credit risk

In the normal course of business, the Company's securities activities involve execution, settlement and financing of various securities transactions for customers. These activities may expose the Company to risk in the event customers, other brokers and dealers, banks, depositories or clearing organizations are unable to fulfill their contractual obligations.

The Company is exposed to off-balance sheet risk of loss on unsettled transactions in the event customers and other counterparties are unable to fulfill their contractual obligations. It is the Company's policy to periodically review, as necessary, the credit standing of each counterparty with which it conducts business.

Securities sold, but not yet purchased represent obligations of the Company to deliver the specified security at the contracted price and thereby create a liability to repurchase the security in the market at prevailing prices. Accordingly, these transactions result in off-balance-sheet risk, as the Company's ultimate obligation to satisfy the sale of securities sold, but not yet purchased may exceed the amount recognized on the balance sheet. Securities positions are monitored on a daily basis.

The Company's customer financing and securities lending activities require the Company to pledge customer securities as collateral for various financing sources such as bank loans and securities lending. At December 31, 2003, the Company had approximately \$1.3 billion of customer securities under customer margin loans that are available to be pledged of which the Company has repledged approximately \$297,600,000 under securities loan agreements. In addition, the Company has received collateral of approximately \$229,264,000 under securities borrow agreements of which the Company has repledged approximately \$145,949,000 as collateral under securities loans agreements. Included in receivable from brokers and clearing organizations are receivables from three major U.S. broker-dealers totaling \$108,870,000.

The Company monitors the market value of collateral held and the market value of securities receivable from others. It is the Company's policy to request and obtain additional collateral when exposure to loss exists. In the event the counterparty is unable to meet its contractual obligation to return the securities, the Company may be exposed to off-balance sheet risk of acquiring securities at prevailing market prices.

At December 31, 2003 the Company had outstanding commitments to buy and sell of \$980,000 and \$508,000, respectively, primarily of mortgage-backed securities on a when issued basis. These commitments have off-balance sheet risks similar to those described above.

The Company has a clearing arrangement with Pershing LLC to clear certain transactions in foreign securities. Accordingly, the Company has credit exposures with this clearing broker. The clearing broker can rehypothecate the securities held on behalf of the Company. The clearing broker has the right to charge the Company for losses that result from a client's failure to fulfill its contractual obligations. As the right to charge the Company has no maximum amount and applies to all trades executed through the clearing broker, the Company believes there is no maximum amount assignable to this right. At December 31, 2003, the Company has recorded no liabilities with regard to this right. The Company's policy is to monitor the credit standing of this clearing broker, all counterparties and all clients with which it conducts business.

15. Acquisitions

On January 3, 2003, the Company acquired the U.S. Private Client Division of CIBC World Markets Corp. ("World Markets"), a wholly-owned subsidiary of CIBC, and agreed to complete the acquisition of the U.S. Asset Management Division of World Markets. The U.S. Private Client Division, also referred to as the Oppenheimer division, is part of Oppenheimer and employed approximately 620 brokers in 18 branch offices located across the United States at the time of acquisition. Client assets at the date of acquisition were approximately \$30 billion. The acquisition more than doubled the Company's private client presence in terms of client assets and provided managerial expertise to the organization. On June 4, 2003, the Company completed the acquisition of the U.S. Asset Management Division of World Markets, now operating as OAM. OAM includes Oppenheimer Investment Advisers, three investment management consulting programs (Investment Advisory Service, Strategic Asset Review and Portfolio Advisory Service), a broker-managed wrap program (OMEGA) and Advantage Advisors (which includes publicly listed closed end funds and alternative investment offerings). The acquisition was accounted for by the purchase method. The Company engaged an independent evaluator to identify and value intangible assets acquired. The fair value of assets acquired, included in the table below, is based on the report of the independent evaluator.

The following table summarizes the estimated fair value of assets acquired, in thousands of dollars

Prepaid expenses	\$1,206
Marketable securities	12,783
Seed capital investments	3,970
Property, plant and equipment	11,887
Notes receivable	65,513
Other assets	8,276
Intangible assets	36,600
Goodwill	125,932
Less:	
Deferred compensation liabilities	(12,783)
Accrued expenses and accounts payable	(11,437)
Purchase price paid	\$241,947

The aggregate purchase price of approximately \$241,947,000 was paid as follows:

\$15,611,000 was paid by the Company in cash from cash on hand
\$65,514,000 was paid with the proceeds of the issuance by Viner Finance Inc., a wholly-owned subsidiary of the Company, to World Markets, of a zero coupon promissory note (i)
\$160,822,000 was paid with the proceeds of debentures issued by E.A. Viner International Co., a wholly-owned subsidiary of the Company, to CIBC (ii)

(i) The Zero Coupon Promissory Note is repayable as related employee notes receivable, which are assigned to Oppenheimer, become due and are forgiven. Such payments are to be made notwithstanding whether any of the employees' loans default.

(ii) Two debentures were issued. The first and second variable rate exchangeable debentures, in the aggregate principal amount of \$160,822,000, are exchangeable for 6,932,000 Class A Shares of the Company at the rate of \$23.20 per share (approximately 35% of the Class A Shares on a diluted basis). The first and second variable rate exchangeable debentures mature on January 2, 2013, and bear interest at an annual rate of interest of 3% in the first year, 4% in years two through four, and 5% in years five through maturity. A potential additional issuance of up to approximately 208,000 Class A Shares may be required if the debentures are exchanged, the holders exercise their rights to have the resulting Class A Shares sold and the holders realize a price of less than \$23.20 per share.

In addition, the Company has arranged a credit facility in the amount of \$50 million with CIBC. In January 2003, the Company borrowed \$25 million under this facility and borrowed the balance in July 2003. The borrowings are being used to finance broker notes and are repayable, together with interest at the CIBC U.S. base rate plus 2%, over five years or earlier if any broker notes become due earlier.

Presented below are pro forma consolidated results of operations. Amounts presented give effect to the acquisitions of the U.S. Private Client and Asset Management Divisions of World Markets as if the transactions were consummated as at January 1, 2002. The Company's actual results for the year ended December 31, 2003 include the results of the Oppenheimer private client division and OAM from January 3, 2003 and June 4, 2003, respectively.

The pro forma information is for comparative purposes only and is not indicative either of the actual results that would have occurred if the acquisition had been consummated at the beginning of the periods presented, or of future operations of the combined companies. CIBC has an October 31st year end and, therefore, the 2002 financial information for the acquired divisions relates to the year ended October 31, 2002. Revenue and expenses included in the pro forma presentation for the year ended December 31, 2002 include certain CIBC corporate allocations, reflecting the manner in which this division was managed within CIBC. Such allocations may distort the comparability of the years presented below. In the period ended July 31, 2003, the Company incurred certain transition costs relating to continued management and clerical support and clearing services provided by World Markets. The Company realized

cost savings after the conversion of the client accounts of the acquired division to the Company's clearing platform. The conversion took place on May 27, 2003.

	Year ended December 31, 2003	2002
Expressed in thousands of dollars, except per share amounts		
Revenue	\$735,276	\$737,281
Profit (loss) before tax from operations	\$57,241	\$(70,542)
Net profit (loss)	\$33,200	\$(40,915)
Basic earnings (loss) per share	\$2.62	\$(1.94)
Diluted earnings (loss) per share	\$1.80	\$(3.29)

16. Related Party Transactions

The Company has notes and accounts receivable from employees, net, of approximately \$97,919,000 at December 31, 2003, which are recorded at face value net of accumulated amortization. These amounts will be forgiven over a service period from the initial date of the loan or based on productivity levels of employees with respect to certain of these notes receivable and are contingent on their continued employment with the Company. The unforgiven portion of the notes become due on demand in the event the employee departs during the service period.

At December 31, 2003, Oppenheimer had an outstanding guarantee of debt of approximately \$3,163,000 that arose as a result of the acquisition of Josephthal Group, Inc.

17. Segment Information

The Company has determined its reportable segments based on the Company's method of internal reporting, which disaggregates its retail business by branch and its proprietary and investment banking businesses by product. The Company's segments are: Private Client which includes all business generated by the Company's 89 branches, including commission and fee income earned on client transactions, net interest earnings on client margin loans and cash balances, stock loan activities and financing activities; Capital Markets which includes market-making activities in over-the-counter equities, institutional trading in both fixed income and equities, structured assets transactions, bond trading, trading in mortgage-backed securities, corporate underwriting activities, public finance activities, and syndicate participation; and Asset Management which includes fees from money market funds and the investment management services of Oppenheimer Asset Management Inc and Oppenheimer's asset management divisions employing various programs to professionally manage client assets either in individual accounts or in funds. The Company evaluates the performance of its segments and allocates resources to them based upon profitability.

19. Quarterly Information (unaudited)

(Expressed in thousands of dollars, except per share amounts)

	Year ended December 31, 2003					
Fiscal Quarters	Fourth	Third	Second	First	Total	
Revenue	\$188,341	\$176,404	\$164,397	\$160,851	\$689,993	
Profit before taxes	\$12,807	\$11,298	\$13,601	\$12,897	\$50,603	
Net profit	\$7,769	\$6,616	\$7,919	\$7,487	\$29,791	
Earnings per share:						
Basic	\$0.60	\$0.52	\$0.62	\$0.59	\$2.35	
Diluted	\$0.42	\$0.36	\$0.43	\$0.49	\$1.63	
Dividends per share	\$0.09	\$0.09	\$0.09	\$0.09	\$0.36	
Market price of Class A Shares:						
High	\$35.10	\$29.30	\$29.85	\$25.24	\$35.10	
Low	\$29.15	\$25.50	\$22.25	\$22.06	\$22.06	

In connection with the analysis done in conjunction with the adoption of SFAS No. 142, the Company has made changes to its reportable segments. Prior year results have been restated based on the composition of the new segments.

The table below presents information about the reported revenue and operating income (profit before income taxes) of the Company for the years ended December 31, 2003, 2002 and 2001. The Company's business is predominantly in the U.S. Asset information by reportable segment is not reported, since the Company does not produce such information for internal use.

	Year ended December 31, 2003	2002	2001
Revenue:			
Private Client	\$525,785,000	\$202,312,000	\$181,292,000
Capital Markets	120,101,000	73,005,000	73,752,000
Asset Management	39,809,000	4,981,000	5,562,000
Other	4,298,000	3,035,000	655,000
Total	\$689,993,000	\$283,333,000	\$261,261,000
Operating Income:			
Private Client*	\$17,592,000	\$(12,488,000)	\$19,627,000
Capital Markets	20,214,000	14,418,000	12,835,000
Asset Management	14,347,000	13,219,000	809,000
Other	(1,550,000)	(2,232,000)	(1,659,000)
Total	\$50,603,000	\$12,917,000	\$31,612,000

* Losses in the Private Client segment in 2002 were the result of unfavorable market conditions as well as operating losses and acquisition costs relating to Josephthal, Prime Charter and BUYandHOLD and included litigation, settlement costs, retention and severance costs and the costs of under-utilized facilities.

18. Subsequent event

(a) On January 27, 2004, a cash dividend of U.S.\$0.09 per share (totalling \$1,200,000) was declared payable on February 20, 2004 to Class A non-voting and Class B shareholders of record on February 6, 2004.

(b) In January 2004, the Company received monetary damages plus interest in the amount of approximately \$2.7 million, pursuant to an award by a National Association of Securities Dealers Dispute Resolution Panel against another broker dealer in a raiding case involving financial consultants of Josephthal & Co. Inc, a company acquired by Oppenheimer in September 2001. These proceeds, which were received in January 2004, will be included in the Company's results for the first quarter of 2004.

	Year ended December 31, 2002					
Fiscal Quarters	Fourth	Third	Second	First	Total	
Revenue	\$76,150	\$68,522	\$68,144	\$70,517	\$283,333	
Profit before taxes	\$5,614	\$2,785	\$1,912	\$2,606	\$12,917	
Net profit	\$3,297	\$1,735	\$883	\$1,632	\$7,547	
Earnings per share:						
Basic	\$0.27	\$0.14	\$0.07	\$0.13	\$0.61	
Diluted	\$0.26	\$0.14	\$0.07	\$0.13	\$0.59	
Dividends per share	\$0.09	\$0.09	\$0.09	\$0.09	\$0.36	
Market price of Class A Shares:						
High	\$28.45	\$23.15	\$25.70	\$28.88	\$28.88	
Low	\$19.77	\$20.00	\$21.26	\$24.85	\$19.77	

The price quotations above were supplied by the New York Stock Exchange.

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480-596-1211

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415-438-3000

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970-586-1895

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203-748-2626

Heritage Village
Southbury, CT 06488
203-264-6511

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Torrington, CT 06790
860-489-3151

850 N. Main Street
Wallingford, CT 06492
203-284-1990

9 Holmes Avenue
Waterbury, CT 06710
203-574-2200

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203-226-8666

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Hallandale, FL 33009
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508-324-1111

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Birmingham, MI 48009
248-647-1400

39533 Woodward
Bloomfield Hills, MI 48304
248-540-2787

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313-259-2600

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East Lansing, MI 48823
517-332-8000

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Grand Blanc, MI 48439
810-694-2980

250 Pearl St. N.W.
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616-732-3380

131 Kercheval Avenue
Grosse Pointe Farms, MI 48236
313-886-1200

20155 Mack Avenue
Grosse Pointe Woods, MI 48236
313-884-9600

100 E. 8th Street
Holland, MI 49423
616-546-3557

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Kalamazoo, MI 49008
269-381-4800

25 W. Nepeessing Street
Lapeer, MI 48446
810-664-0050

575 S. Main Street
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734-454-3751

810 Michigan Street
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810-987-1500

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Saginaw, MI 48604
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Sterling Heights, MI 48313
586-726-5000

2714 West Jefferson Avenue
Trenton, MI 48183
734-675-0550

6230 Orchard Lake Road
West Bloomfield, MI 48322
248-855-2100

Minnesota

900 Second Avenue S
Minneapolis, MN 55402
612-337-2700

Missouri

118 East High Street
Jefferson City, MO 65101
573-636-3141

4717 Grand Avenue
Kansas City, MO 64112
816-932-7000

One North Brentwood Boulevard
St. Louis, MO 63105
314-746-2500

600 Emerson Road
St. Louis, MO 63141
314-872-6200

Nebraska

13906 Gold Circle
Omaha, NE 68144
402-697-1933

1802 1st Avenue
Scottsbluff, NE 69361
308-632-6123

New Hampshire

220 State Street
Portsmouth, NH, 03802
603-436-7626

New Jersey

100 Passaic Avenue
Fairfield, NJ 07004
973-276-5600

18 Columbia Turnpike
Florham Park, NJ 07932
973-245-4600

302 Carnegie Center
Princeton, NJ 08540
609-734-0400

3 Harding Road
Red Bank, NJ 07701
732-224-9000

382 Springfield Avenue
Summit, NJ 07901
908-273-2100

New York

3 School Street
Glen Cove, NY 11542
516-759-4000

700 Veterans Memorial Hwy
Hauppauge, NY 11788
631-382-2500

100 Jericho Quadrangle
Jericho, NY 11753
516-433-2800

115 Broadhollow Road
Melville, NY 11747
631-424-0700

254 Route 17K
Newburgh, NY 12550
845-567-0790

125 Broad Street
New York, NY 10004
212-668-8000

200 Park Avenue
New York, NY 10166
212-907-4000

280 Park Avenue
New York, NY 10017
212-716-8000

780 Third Avenue
New York, NY 10017
212-446-4400

810 7th Avenue
New York, NY 10019
212-699-7700

150 East 52nd Street
New York, NY 10022
212-668-8000

Ohio

221 E. 4th Street
Cincinnati, OH 45202
513-723-9200

30100 Chagrin Blvd
Pepper Pike, Ohio 44124
216-765-5900

Pennsylvania

2103 Stefko Boulevard
Bethlehem, PA 18017
610-867-8631

136 W. Main Street
Bloomsburg, PA 17815
570-784-4210

60 North Main Street
Doylestown, PA 18901
215-348-8104

500 Old York Road
Jenkintown, PA 19046
215-887-7660

1818 Market Street
Philadelphia, PA 19103
215-656-2800

1001 E. Entry Drive
Pittsburgh, PA 15216
412-281-6111

101 South Centre Street
Pottsville, PA 17901
570-622-4844

1015 Mumma Road
Wormleysburg, PA 17043
717-763-8200

Rhode Island

10 Weybosset Street
Providence, RI 02903
401-331-1932

Texas

13455 Noel Road
Dallas, TX 75240
972-450-3800

1600 Smith Street
Houston, Texas 77002
713-650-2000

Washington

500 108th Ave NE
Bellevue, Washington 98004
425-709-0400

Washington, D.C.

2000 K Street NW
Washington, DC 20006
202-296-3030

Buenos Aires, Argentina

San Martin 551
Buenos Aires, Argentina
011-541-393-7552

Caracas, Venezuela

Edificio Seguros Venezuela
Avenida Francisco De Miranda
Apartado 3089
Caracas, Venezuela
011-58-212-9530733

Officers

A.G. Lowenthal
Chairman of the Board
and Chief Executive Officer

E.K. Roberts, C.A.
President and Treasurer

A.W. Oughtred
Secretary

Board of Directors

- *◇ J.L. Bitove
R. Crystal
A.G. Lowenthal
- *◇ K.W. McArthur
A. Molestina
A.W. Oughtred
E.K. Roberts
- ◇ R. Venn
- *◇ B. Winberg

- * members of the audit committee
- ◇ members of the compensation and stock option committee
- ◇ members of the nominating/corporate governance committee

Auditors

PricewaterhouseCoopers LLP

Counsel

Borden Ladner Gervais LLP
Toronto, Canada

Brown Raysman Millstein
Felder & Steiner LLP
New York, NY

Registrar and Transfer Agent

CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto Ontario Canada M5C 2W9

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New Jersey 07660 U.S.A.

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New York, NY 10004
(212) 668-8000
FAX (212) 943-8728
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Oppenheimer Asset Management Inc.

200 Park Avenue
New York, NY 10166
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FAX (212) 907-4080
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Freedom Investments, Inc.

Freedom Investments Division
BUYandHOLD Division
375 Raritan Center Parkway
Edison, NJ 08837
(732) 934-3000
FAX (732) 225-6289
www.buyandhold.com

Annual Meeting

The Annual Meeting will be held at the
Toronto Board of Trade Downtown Centre
1 First Canadian Place, 4th Floor
77 Adelaide Street West,
Toronto Canada

Monday, May 17, 2004 at 4:30 PM

The Company's financial information
and press releases are available
on its web site, www.opco.com,
under "Investor Relations".

A copy of the company's Annual Report
on Form 10-K is available by request.

investorrelations@opy.ca



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